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Our ref: AWM/NH

Date: Wednesday, 31 January 2018

Dear Sir/Madam,

COUNCIL MEETING – WEDNESDAY, 7 FEBRUARY 2018

Notice is hereby given that a meeting of the Audit & Accounts Committee will be held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 7th February, 2018 at 10.00 am.

Yours faithfully

A.W. Muter
Chief Executive

AGENDA

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| 1. | Apologies for Absence | |
| 2. | Declarations of Interest by Members and Officers and as to the Party Whip | |
| 3. | Declaration of any Intentions to Record the Meeting | |
| | The Council will be making a recording of this meeting. | |
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ITEMS FOR DECISION

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Agenda Item 4

NEWARK & SHERWOOD DISTRICT COUNCIL

Minutes of the meeting of the **AUDIT & ACCOUNTS COMMITTEE** held in the Civic Suite, Castle House, on Wednesday, 29 November 2017 at 10:10am.

PRESENT: Councillor Mrs S.M. Michael (Chairman)

Councillors: Councillor R.A. Crowe, and G.P. Handley.

ALSO IN

ATTENDANCE: Sanjiv Kohli - Director-Resources and S151 Officer
Nick Wilson - Business Manager - Financial Services (NSDC)
Andrew Snape - Assistant Business Manager - Financial Services (NSDC)
John Sketchley - Audit Manager (Assurance Lincolnshire)
Amanda Hunt – Principal Auditor(Assurance Lincolnshire)
Helen Brookes - Manager (KPMG)

14. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors D.R Payne, B. Wells and Lucy Pledge (Audit and Risk Manager- Assurance Lincolnshire).

15. DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

NOTED: that no Member or Officer declared any interest pursuant to any statutory requirement in any matter discussed or voted upon at the meeting.

16. DECLARATION OF ANY INTENTION TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

17. MINUTES OF MEETING HELD ON 25 JULY 2017

AGREED that the Minutes of the meeting held on 26 July 2017 be approved as a correct record and signed by the Chairman.

18. TREASURY MANAGEMENT HALF YEARLY REPORT

The Assistant Business Manager- Financial Services presented an update on the Council's Treasury Activity and prudential indicators for the first half of 2017/18. None of the Prudential Indicators had been breached and a prudent approach had been taken in relation to the investment activity, with priority being given to security and liquidity over yield.

The Treasury Management Strategy Statement (TMSS) for 2017/18 was approved by Full Council on 9th March 2017. Officers felt the MRP (Minimum Revenue Provision) Policy within that report did not specifically identify the way that MRP should be charged. A new MRP Policy statement was proposed which better reflected practice of the authority.

The Director – Resources confirmed that the Council did not expect to need to borrow in 2017/18. Members noted that the Investment Strategy and Commercial Strategy had been approved by Full Council which had included the creation of an Investment Advisory Board. The Board did not have any decision making powers but would advise Policy and Finance Committee and Full Council on investment decisions.

AGREED (unanimously) that:

- (a) the new MRP policy statement contained within the Treasury Management Strategy as per section 5 be recommended to full Council on 12 December for approval;
- (b) the treasury activity be noted; and
- (c) the Prudential Indicators detailed in Section 10 of the report be noted.

19. INTERNAL AUDIT PROGRESS REPORT 2017/18

The Principal Auditor- Assurance Lincolnshire provided an update of progress made with the 2017/18 Audit Plan. Four audit reports had been issued during the period since the last update to members. Housing Benefits and Council Tax Support had received high assurance and a further three had been issued with substantial assurance which were: ICT database management; Partnership Active4Today; and Key Control Testing. There were five audits at the draft reporting stage. It was acknowledged that the plan was slightly delayed due to the office move to Castle House.

The Committee noted that the audit of the Visitor Centre- National Civil War Centre and Palace Theatre) was still with the auditors and had been awaiting response since May. The Committee were disappointed and felt that the delay was too long. They therefore requested that if the report was not returned by their next meeting, that the relevant officer be invited to attend the meeting to explain the delay.

The Business Manager- Financial Services explained that with regard to the audit of the Active4Today accounts, Officers had now agreed that this would be funded by Active 4Today.

Further information was included for Members on the CIPFA Audit Committee update and the National Audit Office- Cyber security and information risk guidance for Audit Committees.

AGREED (unanimously) that the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

20. EXTERNAL AUDITORS ANNUAL AUDIT LETTER 2016/17

Helen Brookes was in attendance to present the External Auditors Annual Audit Conclusion Letter. The External Auditors- KPMG had issued an unqualified opinion on the accounts and an unqualified conclusion on the Authority's arrangements for securing value for money on 28 September 2017.

AGREED (unanimously) that the Committee consider the External Auditor's Annual Audit Letter for 2016/17.

21. COUNTER FRAUD ACTIVITY REPORT

The Business Manager- Financial Services presented the County Fraud Activity report detailing activities undertaken since 1 April 2017. Members heard that during October 2017 an incident was identified whereby a payment for invoices was made to a fraudulent bank account. The Council had received notification from what looked like the supplier asking to change the bank details. Unfortunately this was a fraudulent request and hence the Council paid £15,210 incorrectly. The Council has liaised with its bankers, and the building society that the money was made to and there was a high chance of receiving the funds back. The issue had highlighted a failure in the process of changing bank details in the Accounts Payable system which had been addressed with a new procedure that has been implemented. The Business Manager- Financial Services updated the Committee and explained that he expected the repayment to be made by the end of the week.

The Committee heard that the National Fraud Initiative exercise for 2017/18 had 2,360 council tax single person awards to review. So far 20 awards had been processed with no fraud or errors found. The 2016/17 exercise had found 91 cases of suspected fraud out of 1,046 single person discounts, amounting to £26,819.

AGREED (unanimously) that Members note the content of the report.

22. AUDIT COMMITTEE WORK PROGRAMME

The Committee considered the work programme detailing items to be considered during their meetings throughout the municipal year. The draft Annual Internal Audit Plan was moved forward to the Committee meeting in February 2018.

AGREED that the Work Plan be noted.

23. DATE OF NEXT MEETING

NOTED that the date of the next meeting was Wednesday, 7 February 2018, at 10am in Civic 1, Castle House.

The meeting closed at 10.41pm.

Chairman

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TREASURY MANAGEMENT STRATEGY STATEMENT

1.0 Purpose of Report

1.1 This report seeks approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.

2.0 Background Information

2.1 Treasury Management is defined as “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

2.2 Statutory Requirements:

- It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level that is affordable for the foreseeable future, after taking into account the following issues:
 - Increases in interest payments caused by increased borrowing to finance additional capital expenditure.
 - Any increases in running costs from new capital projects.
- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes to set Treasury Prudential Indicators for the next three years to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.
- The Act therefore requires the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council’s policies for managing its investments and for giving priority to the security and liquidity of those investments.

2.3 CIPFA Requirements:

The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council’s treasury management activities;

- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy, a Mid-year Review Report and an Annual Report covering activities during the previous year;
- Delegation by the Council of responsibilities for implementing and monitoring Treasury Management Policies and Practices and for the execution and administration of treasury management decisions;
- Delegation by the Council of the role of scrutiny of Treasury Management Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Account Committee.

2.4 This report seeks approval for the updated Treasury Management Strategy 2018/19 (Appendix A), which encompasses the Treasury Prudential Indicators, the Borrowing Strategy, and the Annual Investment Strategy, in accordance with latest guidance as follows:

- The Treasury Management Strategy determines the manner in which the Council's treasury function is managed;
- The Treasury Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities). The treasury management prudential indicators are now included as treasury indicators in the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The key indicator is the Authorised Limit, i.e. the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This is required by paragraph 3 of the Local Government Act 2003, and is calculated in accordance with the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes and the CIPFA Prudential Code.
- The Borrowing Strategy sets out how the Council's treasury service will support the capital decisions taken; the day to day treasury management activity; and the limitations on activity through treasury prudential indicators;
- The Annual Investment Strategy sets out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy is in accordance with the DCLG Investment Guidance.

3.0 Proposals

3.1 A copy of the Treasury Management Strategy is attached as an Appendix to this report.

4.0 RECOMMENDATION(S)

That Cabinet approves each of the following key elements and recommends these to Full Council on 8th March 2018:

- 4.1 The Treasury Management Strategy 2018/19, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A, Section 4 and Section 5).
- 4.2 The Treasury Prudential Indicators and Limits for 2017/18 to 2019/20, contained within Appendix A Section 4 and Section 5.
- 4.3 The Authorised Limit Treasury Prudential Indicator contained within Appendix A Section 4.

Reason for Recommendation(s)

The only option is to accept the recommendations and adopt the Treasury Management Strategy, Borrowing Strategy and Annual Investment Strategy and to approve the Treasury Prudential Indicators. Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the KPMG External Auditors may pass comment in their Report to those charged with governance (ISA260).

Background Papers

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition and the 2017 revised Edition
CIPFA Prudential Code Local Government Act 2003
CIPFA Standard of Professional Practice on Treasury Management

For further information please contact Andrew Snape on Ext 5523.

Sanjiv Kohli
Director – Resources and S151 Officer

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TREASURY MANAGEMENT STRATEGY STATEMENT 2018/19

1. Introduction

In January 2010 the Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition* (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year.

During December 2017, CIPFA released a refreshed version of their publication *Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2017 Edition*. This Treasury Management Strategy Statement complies with this new guidance.

In addition, the Department for Communities and Local Government (CLG) issued revised *Guidance on Local Council Investments* in March 2010 that requires the Council to approve an investment strategy before the start of each financial year.

This report fulfils the Council's legal obligation under the *Local Government Act 2003* to have regard to both the CIPFA Code and the CLG Guidance.

The Council has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Revised strategy: In accordance with the CLG Guidance, the Council will be asked to approve a revised Treasury Management Strategy Statement should the assumptions on which this report is based change significantly. Such circumstances would include, for example, a large unexpected change in interest rates, in the Council's capital programme or in the level of its investment balance.

Reporting requirements: The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

Prudential and treasury indicators and treasury strategy (this report) - The first, and most important report covers:

- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

A mid-year treasury management report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision.

An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Investment training: The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. The following training has been undertaken by members: A Senior Advisor from Arlingclose, the Councils Treasury Advisors, attended the Audit and Accounts Committee in November 2017, and further training will be arranged as required.

The Council's treasury management staff, regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA. Relevant staff are also encouraged to study professional qualifications from CIPFA, the Association of Corporate Treasurers and other appropriate organisations.

Investment advisers: The Council has appointed Arlingclose Limited as treasury management advisers who provide specific advice on investment, debt and capital finance issues.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external advisers.

The Council also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

2. External Context

Economic background: The major external influence on the Council's treasury management strategy for 2018/19 will be the UK's progress in negotiating its exit from the European Union and agreeing future trading arrangements. The domestic economy has remained relatively robust since the surprise outcome of the 2016 referendum, but there are indications that uncertainty over the future is now weighing on growth. Transitional arrangements may prevent a cliff-edge, but will also extend the period of uncertainty for several years. Economic growth is therefore forecast to remain sluggish throughout 2018/19.

Consumer price inflation reached 3.0% in September 2017 as the post-referendum devaluation of sterling continued to feed through to imports. However, this effect is expected to fall out of year-on-year inflation measures during 2018, removing pressure on the Bank of England to raise interest rates.

In contrast, the US economy is performing well and the Federal Reserve is raising interest rates in regular steps to remove some of the emergency monetary stimulus it has provided for the past decade. The European Central Bank is yet to raise rates, but has started to taper its quantitative easing programme, signalling some confidence in the Eurozone economy.

Credit outlook: High profile bank failures in Italy and Portugal have reinforced concerns over the health of the European banking sector. Sluggish economies and fines for pre-crisis behaviour continue to weigh on bank profits, and any future economic slowdown will exacerbate concerns in this regard.

Bail-in legislation, which ensures that large investors including local authorities will rescue failing banks instead of taxpayers in the future, has now been fully implemented in the European Union, Switzerland and USA, while Australia and Canada are progressing with their own plans. In addition, the largest UK banks will ringfence their retail banking functions into separate legal entities during 2018. There remains some uncertainty over how these changes will impact upon the credit strength of the residual legal entities.

The credit risk associated with making unsecured bank deposits has therefore increased relative to the risk of other investment options available to the Council; returns from cash deposits however remain very low.

Interest rate forecast: The Council's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2018/19. Two of the nine-member Monetary Policy Committee voted for an increase to 0.50% in September, and the decision was said to be finely balanced for others, although all agreed that any increases would be limited and gradual. But stilted progress in the EU exit negotiations, softening consumer spending and a tightening of consumer credit are expected to stay the Committee's hands. The risk of a cut to zero or negative rates has diminished and there is now a chance that rates will rise despite the economic fundamentals.

Longer-term interest rates have risen in the past year, reflecting the possibility of increasing short-term rates. Arlingclose forecasts these to remain broadly constant during 2018/19, but with some volatility as interest rate expectations wax and wane with press reports on the progress of EU exit negotiations.

A more detailed economic and interest rate forecast provided by Arlingclose is attached at **Appendix A**.

For the purpose of setting the budget, it has been assumed that new investments will be made at an average rate of 1.5%, and that new long-term loans will be borrowed at an average rate of 3.5%.

3. Local Context

On 31st December 2017, the Council held £87m of borrowing (Housing Revenue Account) and £36m of investments. Forecast changes in these sums are shown in the balance sheet analysis in table 1 below.

Table 1: Balance sheet summary and forecast

	31.3.17 Actual £'000	31.3.18 Estimate £'000	31.3.19 Forecast £'000	31.3.20 Forecast £'000	31.3.21 Forecast £'000
General Fund CFR	21,057	23,458	24,545	25,101	25,616
HRA CFR	93,432	104,012	104,010	105,022	102,745
Total CFR	114,489	127,470	128,555	130,123	128,361
Less: Other debt liabilities	-224	-224	-224	-224	-224
Borrowing CFR	114,265	127,246	128,331	129,899	128,137
Less: External borrowing	-87,123	-97,113	-96,091	-94,068	-94,043
Internal (over) borrowing	27,142	30,133	32,240	35,831	34,094
Less: Usable reserves	-43,337	-34,760	-31,316	-28,000	-28,000
Less: Working capital	-5,709	-3,000	-3,000	-3,000	-3,000
Investments (or New borrowing)	21,904	7,627	2,076	-4,831	-3,094

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council has an increasing CFR due to the capital programme, but a relatively small level of investments and will assess the capital financing need to borrow, taking into account the ability for internal borrowing.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. Table 1 shows that the Council expects to comply with this recommendation during 2018/19.

4. Borrowing Strategy

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Current Borrowing portfolio position

The Council's treasury portfolio position at 31 March 2017, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2016/17 Actual £'000	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
External Debt					
Debt at 1 April	87,917	87,123	97,113	96,091	94,068
Expected change in Debt	-1,018	9,766	-1,246	-2,247	-249
Other long-term liabilities (OLTL)	224	224	224	224	224
Expected change in OLTL	0	0	0	0	0
Actual gross debt at 31 March	87,123	97,113	96,091	94,068	94,043
The Capital Financing Requirement	114,265	127,246	128,331	129,899	128,137
Under / (over) borrowing	27,142	30,133	32,240	35,831	34,094

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Treasury Indicators: limits to borrowing activity

Operational Boundary for External Debt: The operational boundary is based on the Authority's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Authority's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Authority's debt.

Operational Boundary	2017/18 Revised £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
Borrowing	127,251	128,336	129,904	128,142
Other long-term liabilities	400	400	400	400
Total Debt	127,651	128,736	130,304	128,542

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Authority can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2017/18 Limit £'000	2018/19 Limit £'000	2019/20 Limit £'000	2020/21 Limit £'000
Borrowing	127,256	128,341	129,909	128,147
Other long-term liabilities	600	600	600	600
Total Debt	127,856	128,941	130,509	128,747

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit	2017/18 Estimate £'000	2018/19 Estimate £'000	2019/20 Estimate £'000	2020/21 Estimate £'000
HRA Debt Cap	112,475	112,475	112,475	112,475
HRA CFR	104,012	104,010	105,022	102,745
HRA Headroom	8,463	8,465	7,453	9,730

Maturity structure of borrowing: This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed and variable rate borrowing will be:

	Upper	Lower
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Council’s borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal or short term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this ‘cost of carry’ and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2018/19 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2018/19, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow (normally for up to one month) short-term loans to cover unplanned cash flow shortages.

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

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds
- Capital market bond investors

- UK Municipal Bonds Agency plc and other special purpose companies created to enable local Council bond issues
- Local Authorities

Other sources of debt finance: In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases
- hire purchase
- Private Finance Initiative
- sale and leaseback

The Council has previously raised the majority of its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local Council loans and bank loans that may be available at more favourable rates.

Municipal Bonds Agency: UK Municipal Bonds Agency plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for two reasons: borrowing authorities will be required to provide bond investors with a joint and several guarantee to refund their investment in the event that the agency is unable to for any reason; and there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to full Council.

LOBOs: The Council holds £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. None of these LOBOS have options during 2018/19.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk.

Investment of money borrowed in advance of need: The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £124 million. The maximum period between borrowing and expenditure is expected to be two years, although the Council is not required to link particular loans with particular items of expenditure.

Policy on internal borrowing interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other.

Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (capital financing requirement) will result in an internal borrowing situation. The internal borrowing on the HRA will be charged on the CPI inflation rate for February for the relevant financial year with the credit going to the General Fund balance.

5. Investment Strategy

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council's investment balance has ranged between £11 million and £36 million. Levels available for investment are affected by capital expenditure and use of reserves, both will continue to be monitored throughout the financial year.

Objectives: Both the CIPFA Code and the CLG Guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Negative interest rates: If the UK enters into a recession in 2018/19, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity, even though this may be less than the amount originally invested.

Strategy: Given the increasing risk and very low returns from short-term unsecured bank investments, the Council will consider diversifying into more secure and/or higher yielding asset classes during 2018/19. This is especially the case for the estimated £20m that is available for longer-term investment. The majority of the Council's surplus cash remains invested in short-term unsecured bank deposits and money market funds. This diversification will represent a substantial change in strategy over the coming year, in line with the Council's approved Investment Plan and Commercialisation Strategy.

Approved counterparties: The Council may invest its surplus funds with any of the counterparty types in table 2 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 2: Approved investment counterparties and limits

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 20 years	n/a	n/a
AAA	£5m 3 years	£10m 10 years	£10m 20 years	£5m 10 years	£5m 10 years
AA+	£5m 2 years	£10m 4 years	£10m 5 years	£5m 4 years	£5m 4 years
AA	£5m 1 year	£10m 2 years	£10m 3 years	£5m 2 years	£5m 4 years
AA-	£5m 1 year	£10m 2 years			£5m 4 years
A+	£5m 6 months	£10m 1 year			£5m 2 years

A	£5m 6 months	£10m 1 year			£5m 2 years
A-	£5m 3 months	£10m 6 months			£5m 2 years
None		n/a			£5m 2 years
Pooled funds	£10m per fund				

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing, formerly known as housing associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Operational bank accounts: The Council will incur operational exposures through their current accounts, with Lloyds Bank. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 net in the bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Country and sector limits: Due care will be taken to consider the country, group and sector exposure of the Council's investments.

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA (excluding UK) from Fitch (or equivalent). This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

Risk assessment and credit ratings: Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made,
- any existing investments that can be recalled or sold at no cost will be, and
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other information on the security of investments: The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality

financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council’s cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
 - the UK Government,
 - a UK local Council, parish council or community council, or
 - a body or investment scheme of “high credit quality”.

The Council defines “high credit quality” organisations and securities as those having a credit rating of A- or higher that are domiciled in the UK or a foreign country with a sovereign rating of AA or higher. For money market funds and other pooled funds “high credit quality” is defined as those having a credit rating of A- or higher.

Non-specified investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Council does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in table 3 below.

Table 3: Non-specified investment limits

	Cash limit
Total non-specified investments	£20m

Liquidity management: The Council maintains a daily cash flow forecast to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council’s medium term financial plan and cash flow forecast.

Policy on internal investment interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Interest receivable for HRA balance sheet resources available for investment will result in a notional cash balance. This balance will be measured at the end of the financial year and interest transferred from the General Fund to the HRA at the average investment rate for a DMO investment for the financial year due to the General Fund carrying all the credit risk per investment.

Non-Treasury Investments

Although not classed as treasury management activities and therefore not covered by the CIPFA Code or the CLG Guidance, the Council may also purchase property for investment purposes and may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Council's subsidiaries.

Such loans and investments will be subject to the Council's normal approval processes for revenue and capital expenditure and need not comply with this treasury management strategy.

Treasury Indicators: limits to investing activity

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

	2018/19 £m	2019/20 £m	2020/21 £m
<u>Fixed Rate</u>			
Borrowing	124.2	124.2	124.2
Investments	-5	-5	-5
Net Upper limit on fixed rate exposure	119.2	119.2	119.2
<u>Variable Rate</u>			
Borrowing	31	31	31
Investments	-37.3	-37.3	-37.3
Net Upper limit on variable rate exposure	-6.3	-6.3	-6.3

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

Principal sums invested for periods longer than 365 days: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

	2018/19	2019/20	2020/21
Limit on principal invested beyond year end	£20m	£20m	£20m

6. Arlingclose Economic & Interest Rate Forecast January 2018

Underlying assumptions:

- The MPC increased Bank Rate in November 2017 to 0.5%. The rise was questionable based on the available economic data. Market rate expectations are broadly unchanged since the rise and policy makers continue to emphasise that any prospective increases in Bank Rate would be expected to be at a gradual pace and to a limited extent.
- Further potential movement in Bank Rate is reliant on economic data and the likely outcome of the EU negotiations. Policymakers have revised lower the supply capacity of the UK economy, suggesting inflationary growth is more likely. However, the MPC will be wary of raising rates much further amid low business and household confidence.
- The UK economy faces a challenging outlook as the minority government continues to negotiate the country's exit from the European Union. While recent economic data has improved, it has done so from a low base: UK Q3 2017 GDP growth was 0.4%, after a 0.3% expansion in Q2. Forecasts for future GDP growth have generally been revised downwards.
- Household consumption growth, the driver of recent UK GDP growth, has softened following a contraction in real wages, despite both saving rates and consumer credit volumes indicating that some households continue to spend in the absence of wage growth. Policymakers have expressed concern about the continued expansion of consumer credit; any action taken will further dampen household spending.
- More recent labour market data suggested that employment has plateaued, although house prices (outside London) appear to be relatively resilient. However, both of these factors can also be seen in a negative light, displaying the structural lack of investment in the UK economy post financial crisis.
- The depreciation in sterling may assist the economy to rebalance away from spending. Export volumes will increase, helped by a stronger global and Eurozone economic expansions.
- Near-term global growth prospects have continued to improve and broaden, and expectations of inflation are subdued. Central banks are moving to reduce the level of monetary stimulus.

Forecast:

- The MPC increased Bank Rate largely to meet expectations they themselves created. Expectations for higher short term interest rates are relatively subdued. On-going decisions remain data dependant and negotiations on exiting the EU cast a shadow over monetary policy decisions.
- Our central case for Bank Rate is 0.5% over the medium term. The risks to the forecast are broadly balanced on both sides.
- The Arling close central case is for gilt yields to remain broadly stable across the medium term. Upward movement will be limited, although the UK government's seemingly deteriorating fiscal stance is an upside risk.

	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Average
Official Bank Rate														
Upside risk	0.00	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.21
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.00	0.00	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.17
3-month LIBID rate														
Upside risk	0.10	0.10	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.23
Arlingclose Central Case	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	-0.10	-0.15	-0.15	-0.15	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.25	-0.22
1-yr LIBID rate														
Upside risk	0.15	0.20	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.28
Arlingclose Central Case	0.70	0.70	0.70	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.78
Downside risk	-0.20	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.30	-0.15	-0.15	-0.26
5-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	0.75	0.80	0.80	0.80	0.85	0.90	0.90	0.95	0.95	1.00	1.05	1.10	1.15	0.92
Downside risk	-0.20	-0.25	-0.25	-0.25	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.35
10-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	1.25	1.25	1.25	1.25	1.30	1.30	1.35	1.40	1.45	1.50	1.55	1.55	1.60	1.38
Downside risk	-0.25	-0.25	-0.25	-0.25	-0.30	-0.35	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.40	-0.34
20-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	1.85	1.85	1.85	1.85	1.90	1.90	1.95	1.95	2.00	2.05	2.05	2.05	2.10	1.95
Downside risk	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.41
50-yr gilt yield														
Upside risk	0.25	0.25	0.25	0.30	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.40	0.40	0.33
Arlingclose Central Case	1.70	1.70	1.70	1.70	1.75	1.80	1.85	1.90	1.95	1.95	1.95	1.95	2.00	1.84
Downside risk	-0.30	-0.25	-0.25	-0.30	-0.35	-0.40	-0.45	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.41

7. Treasury Management Scheme of Delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;

(ii) Audit and Accounts Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body;
- receiving and reviewing regular monitoring reports and acting on recommendations; and
- approving the selection of external service providers and agreeing terms of appointment.

8. The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit; and
- recommending the appointment of external service providers.



CAPITAL STRATEGY 2018/19 – 2020/21

1.0 Purpose of Report

1.1 To seek Committee approval to the Capital Strategy 2018/19 to 2020/21, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.

2.0 Background Information

2.1 The Capital Strategy outlines the principles and framework that shape the Council's capital decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council's priorities and objectives as set out in the Corporate Plan.

2.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed.

2.3 Statutory Requirements:

- It is a statutory requirement under Section 33 of the Local Government Finance Act 1992 for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level that is affordable for the foreseeable future, after taking into account the following issues:
 - Increases in interest payments caused by increased borrowing to finance additional capital expenditure.
 - Any increases in running costs from new capital projects.
- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Capital Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

2.4 CIPFA Requirements:

- The Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities).
- Delegation by the Council of the role of scrutiny of Capital Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.

2.5 The report also seeks approval for the Council's Minimum Revenue Provision (MRP) Policy (Appendix A Section 6), which sets out how the Council will pay for capital assets through revenue each year (as required by Regulation under the Local Government and Public Involvement in Health Act 2007).

3.0 Proposals

3.1 A copy of the Capital Strategy is attached as an Appendix to this report.

4.0 RECOMMENDATION(S)

That Committee approves each of the following key elements and recommends these to Council for the meeting on 8th March 2018:

4.1 The Capital Strategy 2018/19 to 2020/21 Appendix A

4.2 The Capital Prudential Indicators and Limits for 2018/19 to 2020/21, contained within Appendix A Section 5.

4.3 The Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix A Section 6, which sets out the Council's policy on MRP.

Reason for Recommendation(s)

Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the KPMG External Auditors may pass comment in their Report to those charged with governance (ISA260).

Background Papers

CIPFA Prudential Code Local Government Act 2003

CIPFA Treasury Management Code of Practice

For further information please contact Andrew Snape on Ext 5523.

Sanjiv Kohli

Deputy Chief Executive/Director – Resources and S151 Officer

CAPITAL STRATEGY

2018/19 TO 2020/21

NEWARK AND SHERWOOD DISTRICT COUNCIL



CAPITAL STRATEGY

1. INTRODUCTION

This Capital Strategy outlines the principles and framework that shape the Council's capital proposals. The principal aim is to deliver an affordable programme of capital investment consistent with the Council's Financial Strategy and that contributes to the achievement of the Council's priorities and objectives as set out in the Corporate Plan.

The Strategy defines at the highest level how the capital programme is to be formulated and designed, it identifies the issues and options that influence capital spending, and sets out how the resources and capital programme will be managed.

As well as detailing the approved capital programme over the forthcoming five years, the document also sets out the Council's ambitions over the medium to longer term.

The basic elements of the Strategy therefore include:

- A direct relationship to the Corporate Plan;
- An investment programme expressed over the medium to long term;
- A document that indicates the opportunities for partnership working;
- A framework that prioritises the use of capital resources;
- A consideration of the need to pursue external financing (grants, contributions etc), which reconcile external funding opportunities with the Council's priorities and organisational objectives, so that it is the achievement of the latter that directs effort to secure the former; and
- A direct relationship with the Treasury Management Policy and Strategy, and the limitations on activity through the treasury management Prudential Indicators.

This document is intended for the use by all stakeholders to show how the Council makes decisions on capital investment:

- for the Policy and Finance Committee and Council – to decide on capital investment policy within the overall context of investment need/opportunity and affordability;
- for Councillors – to provide an understanding of the need for capital investment and help them scrutinise policy and management;
- for Officers – to provide an understanding of the Council's capital investment priorities, to assist them in bidding for capital resources, and to confirm their role in the capital project management and monitoring arrangements;
- for taxpayers – to demonstrate how the Council seeks to prudently manage capital resources and look after its assets; and
- for partners – to share with them our Vision and help to co-ordinate and seek further opportunities for joint ventures.

The capital programme consists of two elements:

- The Housing Capital Programme with a proposed budget for 2018/19 of £17.6m, which supports the maintenance of the Council's circa 5,400 council houses;
- The General Fund Capital Programme with a proposed budget for 2018/19 of £5.0m. Of this amount, expenditure on the Council's non-housing assets totals £4.4m, and £0.6m will provide Disabled Facilities Grants to a number of private dwellings during the year.



CAPITAL STRATEGY

2. PRINCIPLES SUPPORTING THE STRATEGY

The Capital Strategy reflects the aspirations included within the Council's main strategic documents - principally the Corporate Plan but also other key planning documents such as the Treasury Management Policy and Strategy and the Budget Strategy.

The principles that underpin the Capital Strategy include:

Policy Principles:

- A direct relationship between Council priorities, including our statutory requirements, and a capital programme driven by essential investment needs and prioritised on an authority-wide basis, demonstrating an explicit link with all key strategic planning documents; and
- The use of a rational process for assessing the relative importance of potential schemes.

Financial Principles:

- The overarching commitment to affordability of investments over the longer term;
- A recognition that the Council's own locally generated resources are limited and will only be used to fund those capital priorities that are unlikely to be able to access any other funding sources;
- A commitment to developing partnerships, including the pursuit of joint venture and community arrangements where appropriate, to achieve the Council's investment aspirations;
- To pursue all available external funding where there is a direct compatibility with the Council priorities;
- Value for money of investments in assets over their full life cycle.

Implementation and Management Principle

- The operation of robust management arrangements for the implementation, updating and review of the Strategy.

CAPITAL STRATEGY

3. CAPITAL INVESTMENT PRIORITIES

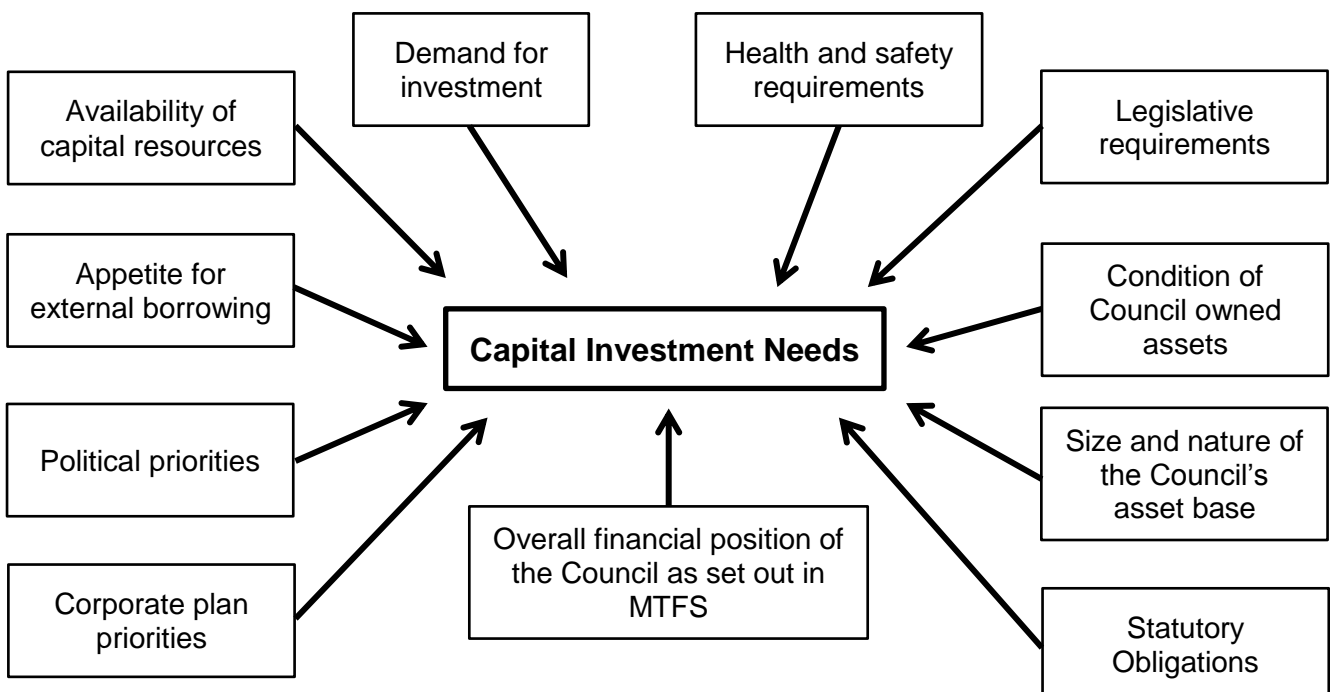
The aim of the Council is to make a sustainable improvement to the long-term quality of life of our residents. The Corporate Plan 2016-2020 sets out the vision for Newark and Sherwood. This Vision is intended to be external facing and clearly indicates the Council's ambition for the district and the people within.

Underpinning the Council's contribution to the Corporate Plan vision are four Strategic Priorities. These are:

- *Homes;*
- *Economy;*
- *Safety and Cleanliness; and*
- *Healthiness.*

The four strategic priorities are framed through the Themes of *People, Prosperity, Place and Public Service.*

While the aim of the Council for its capital investment is in line with the Corporate Plan the capital need is influenced by a number of other factors both internal and external to the Council. The diagram below identifies a number of these:



CAPITAL STRATEGY

4. FINANCIAL CONTEXT

Financial Process

The Council's financial and service planning process ensures decisions about the allocation of capital and revenue resources are taken to achieve a corporate and consistent approach.

The funding of capital schemes is via the following hierarchy:

- External grants and contributions;
- Capital receipts from the disposal of fixed assets;
- Unsupported borrowing;
- Leasing finance; (where applicable)
- Revenue contributions.

The following paragraphs examine the current and prospective means of financing projects and the range of choices available.

External Grants and Contributions - Some capital projects are financed wholly or partly through external grants and contributions that are specific to projects and cannot be used for other purposes.

Grants from external sources are a valuable source of capital finance for the Council and have enabled the Council to realise a substantial number of capital developments that would otherwise have been unable to progress. Given the scale of the Council's ambitions to improve and add to its asset base much will depend on our ability to secure external funding.

The most significant grants that the Council now receives are from a combination of European money e.g. ERDF, Section 106 monies and Community Infrastructure Levies from development sites that are acquired for housing and other purposes.

Capital Receipts - The Council also generates its own capital resources through the sale of surplus land and buildings and these resources can be used by the Council to invest in new capital projects. However, the Council is not asset rich and the ability to realise significant capital receipts is limited. Moreover, the current economic climate will restrict the capital value of any sale. Decisions to dispose of assets at less than full value should therefore be tested against the opportunity cost of the capital spending given up as a consequence.

The Council received General Fund capital receipts of £0.5m in 2016/17 (estimated at £3.9m in 2017/18), and Housing capital receipts of £1.7m in 2016/17 (estimated at £1.8 in 2017/18).

Capital receipts may only be used for one or more of the following purposes:

- to meet capital expenditure;
- to repay the principal of any amount borrowed;
- to pay a premium charged in relation to any amount borrowed;
- to meet any liability in respect of credit arrangements, other than any liability which, in accordance with proper practices, must be charged to a revenue account;
- to meet the administrative costs of or incidental to a disposal of an interest in housing land; or
- to make a payment to the Secretary of State under regulation 12 or 13.

CAPITAL STRATEGY

It is also important to clarify the categories of capital receipts as follows:

- General Fund – 100% receipts from sales of land and property that are owned by the General Fund;
- Housing – 100% receipts from sales of land and property that are owned by the Housing Revenue Account that must be spent on housing capital expenditure, regeneration or debt repayment. It also includes the 25% of capital receipts from council housing sales (the other 75% is paid over to the government);
- Retained Right to Buys – This originated from the introduction of the housing self-financing regulations, which set out the government’s assumptions on the number of council house sales that would be made each financial year – for Newark and Sherwood this equates to 14 Right-to-Buy sales in 2018/19. For any sales in excess of the 14 properties, the Council is allowed to keep 100% but only if it invests in new housing within a three year period at a match funding rate of 30%.

Unsupported Borrowing – Unsupported prudential borrowing is where the debt costs have to be funded from the Council’s revenue resources. The principle of affordability is therefore a key consideration.

With the introduction in April 2012 of the new Housing Self-Financing regime, significant levels of additional borrowing to fund the overall capital programme 2018/19 to 2022/23 will no longer apply. Instead, borrowing for social housing purposes will be restricted to the ‘gap’ between the current Capital Financing Requirement and the government imposed borrowing ceiling. The size of this housing ‘gap’ is circa £8.5m in 2017/18 and will only be used to fund ‘invest to save’ schemes such as energy efficiency projects, or new build in the longer term.

For the General Fund, unsupported prudential borrowing will be tightly controlled due to the financial impact it will have on a revenue budget that already operates to very tight margins. The planning assumption for the five-year programme is that the Council may use borrowing for ‘long life’ assets, or as a replacement for leasing, or for an ‘invest to save’ scheme. This must, however, be proven to be affordable and sustainable within the revenue budget.

Revenue Funding - The Council can also use revenue resources to fund capital projects, although pressures on the revenue budgets limit the ability to fund schemes from this source.

Other Sources of Capital Financing - The Council will continue to explore the potential for developing partnerships and private sector involvement. It also has the opportunity to use leasing as a means of funding capital expenditure on vehicles and other equipment. In all cases the resulting revenue costs of these sources of funding are tested for relative Value for Money alongside debt financing.

The Council recognises that certain services have greater potential for attracting capital finance from external sources. The Council aims to ensure that it maximises the opportunities to attract partnership or third party funding where appropriate and will focus the use of its own scarce capital resources to provide public assets where these alternative funding sources are not available.



CAPITAL STRATEGY

5. CAPITAL FORECAST AND PRUDENTIAL INDICATORS

The Local Government Act 2003 requires the Council to have regard to the Chartered Institute of Public Finance and Accountancy's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Estimates of Capital Expenditure: The table below summarises the Council's capital plans and how these plans are being financed by capital or revenue resources, as presented within the separate General Fund and Housing Capital Programme reports. Any shortfall of resources results in a funding borrowing need:

Capital Expenditure and Financing	2016/17 Actual £m	2017/18 Revised £m	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m
General Fund Expenditure	8,818	14,181	5,047	4,049	4,534
Financed by:					
Capital receipts	561	4,365	0	0	0
Capital grants	5,849	6,995	3,398	2,849	3,314
Revenue	0	0	0	0	0
General Fund Net financing need for the year	2,408	2,821	1,649	1,200	1,220
HRA Expenditure	9,613	17,530	17,614	12,946	12,346
Financed by:					
Capital Receipts	210	637	2,177	2	2
Capital Grants	1,175	5,158	3,781	0	0
Major Repair Reserve	8,228	136	10,637	9,909	8,596
HRA Net Financing need for the year	0	11,599	1,019	3,035	3,748
Total Net Financing need for the year	2,408	14,420	2,668	4,235	4,968

CAPITAL STRATEGY

Estimates of Capital Financing Requirement: The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose.

The Council is asked to approve the CFR projections below:

Capital Financing Requirement	31.03.17 Actual £m	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
General Fund	21,057	23,458	24,545	25,101	25,616
HRA	93,432	104,012	104,010	105,022	102,745
Total CFR	114,489	127,470	128,555	130,123	128,361
Movement in CFR	589	12,981	1,085	1,568	-1,762

Movement in CFR represented by					
Net financing need for the year (above)	2,408	14,420	2,668	4,235	4,968
Less MRP/VRP and other financing movements	-1,819	-1,439	-1,583	-2,667	-6,730
Movement in CFR	589	12,981	1,085	1,568	-1,762

The CFR is forecast to rise by £14m over the next three years as capital expenditure financed by debt outweighs resources put aside for debt repayment.

Gross Debt and the Capital Financing Requirement: In order to ensure that over the medium term debt will only be for a capital purpose, the Authority should ensure that debt does not, except in the short term, exceed the total of 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 is a key indicator of prudence.

Debt	31.03.17 Actual £m	31.03.18 Revised £m	31.03.19 Estimate £m	31.03.20 Estimate £m	31.03.21 Estimate £m
Borrowing	86,899	96,889	95,867	93,844	93,819
Finance leases	224	224	224	224	224
PFI liabilities	0	0	0	0	0
Transferred debt	0	0	0	0	0
Total Debt	87,123	97,113	96,091	94,068	94,043
Capital Financing Requirement	114,489	127,470	128,555	130,123	128,361
Under / (over) borrowing	27,366	30,357	32,464	36,055	34,318

CAPITAL STRATEGY

Total debt is expected to remain below the CFR during the forecast period.

Ratio of Financing Costs to Net Revenue Stream: This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	2016/17 Actual %	2017/18 Revised %	2018/19 Estimate %	2019/20 Estimate %	2020/21 Estimate %
General Fund	3.47	2.15	3.70	4.46	4.59
HRA	32.01	33.10	39.21	38.00	37.38

Incremental Impact of Capital Investment Decisions: This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and housing rent levels. The incremental impact is the difference between the total revenue budget requirement of the current approved capital programme and the revenue budget requirement arising from the capital programme proposed.

Incremental Impact of Capital Investment Decisions	2016/17 Actual £	2017/18 Revised £	2018/19 Estimate £	2019/20 Estimate £	2020/21 Estimate £
General Fund - increase in annual band D Council Tax	5.88	6.54	3.44	2.51	2.55
HRA - increase in average weekly rents	0.10	65.45	7.76	17.10	21.20

6. ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2018/19

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2016 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year. However as the Council deems it more prudent MRP will be charged on a 2% straight line basis, net of 'Adjustment A'. This ensures that the debt will be repaid within 50 years.

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From 1 April 2016 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be either:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

These options provide for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual PFI or finance leases are applied as MRP.

7. FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY

Introduction and Background

Following the Spending Review 2015, the Department for Communities and Local Government (CLG) recently issued guidance on the flexible use of capital receipts which came into effect from 1 April 2016 to 31 March 2019. The guidance, underpinned by a direction from the Secretary of State for Communities and Local Government, will enable local authorities to capitalise costs incurred on transforming or improving service delivery designed to generate ongoing revenue savings. The guidance also states that each local authority should prepare a Flexible use of Capital Receipts Strategy.

In summary, the key elements of the CLG guidance on the flexible use of capital receipts are:

Types of qualifying expenditure

- 1) Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. It is for individual local authorities to decide whether or not a project qualifies for the flexibility.
- 2) Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure.

Financing of the qualifying expenditure

- i. Up to 100% of capital receipts from property, plant and equipment disposals received from 2018/19 (excluding Right to Buy receipts) can be used to finance qualifying expenditure. Existing capital receipts in hand prior to 2018/19 are not permitted to be used.
- ii. Local authorities may not borrow to finance qualifying expenditure.
- iii. The guidance will apply for 2018/19.



CAPITAL STRATEGY

8. CAPITAL INVESTMENT PRIORITISATION

Demand for capital resources to meet investment needs and aspirations will exceed the resources available to the Council.

To ensure that capital resources are allocated to the Council's priorities, an objective, structured prioritisation process has been adopted for determining the Capital Programme.

In moving to a longer-term view of priorities, the first step in this process is to identify the potential calls on capital. An early filtering out of aspirations, which do not sufficiently meet Council priorities to warrant incurring costs of feasibility and option appraisal studies, seeks to obviate potentially abortive costs.

From this refined review the process is based on the completion of a Capital Service Bid for each project to be considered for inclusion in the Capital Programme. Each Capital Service Bid is then scored against the established methodology. Corporate Management Team scrutinises and moderates the scores, and recommends options for a prioritised Capital Programme for the forthcoming period. These are presented to Policy and Finance Committee, which makes the final recommendations to full Council.

Once full Council has approved the schemes that comprise the Capital Programme, the project managers develop detailed project plans for each scheme. The project plan forms the basis for monitoring delivery of the critical physical milestones. Each project plan includes:

- The projects objectives and performance indicators (inputs, outputs, and outcome based);
- Key milestone dates for project delivery;
- Responsible officers for delivery of each milestone;
- Resource requirements including full financial breakdown;
- Risk analysis; and
- Post project review on the completion of each scheme.

The process specifically addresses the key requirements of the Prudential Code, i.e.:

- Affordability, prudence and sustainability - the integration of the capital and revenue planning processes ensures that coherent decision-making takes place on the level of borrowing that is prudent, affordable and sustainable;
- the Council's service objectives – the specific relationships to the achievement of the objectives expressed in the Corporate Plan supplemented by reference to relevant strategic, service and/or statutory plans;
- the Value for Money offered by the plans – as demonstrated by an options appraisal;
- the stewardship of the Council's assets – explicit regard to the Council's Property Asset Management Plan; and
- the practicalities of the capital expenditure plan – i.e. projects are realistically phased and are capable of being delivered in physical terms.

9. MANAGING THE CAPITAL PROGRAMME

A key role in the monitoring of the capital programme is undertaken by the Capital Monitoring Group, which meets on a quarterly basis. This Group is attended by responsible officers and the relevant accountant and is chaired by the Business Manager for Financial Services. It is a supportive environment in

CAPITAL STRATEGY

which problem areas are identified and corrective actions agreed and implemented at an early stage to avoid slippage. Each scheme has a nominated project manager who is responsible for the successful completion of the scheme both to time and on budget.

The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. Ongoing monitoring arrangements for the delivery of the approved programme consist of:

- Project Managers are identified for each scheme who are responsible for monitoring progress, spend and income and producing action plans to respond to variations in pace or cost of delivery;
- The Director of Resources and S151 Officer co-ordinates high level monthly reporting and detailed quarterly reporting to the Management Team, Audit & Accounts Committee, and Policy and Finance Committee;
- The quarterly capital monitoring where project managers report on performance outputs on each of their capital projects in progress. Variations and unexpected items are discussed and appropriate action taken; and
- Business Managers are responsible for ensuring that Project Manager monitoring reports are quality assured and challenged, and that corporate implications arising from capital monitoring are brought to the attention of the Corporate Management Team and Policy and Finance Committee.

10. PROCUREMENT

The purchase of capital assets should be conducted in accordance with the Contract Procedure Rules, ensuring value for money, legality and sustainability at all times. Contract standing orders and rules governing the disposal or write off of assets are contained in the Constitution which is consistently reviewed.

11. VALUE FOR MONEY

The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs. The Council seeks to achieve value for money by applying rigorous procurement standards in the selection of suppliers and contractors to ensure efficiency, economy and effectiveness is received throughout the life of a contract. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of our capital strategy. Specifically we will seek to strengthen the outcome indicators as part of post project reviews.

12. CAPITAL RECEIPTS

Any proceeds from the disposal of assets such as land in excess of £10,000 are determined as a 'capital receipt' and feed directly into the relevant capital pot for reinvestment. The policy to sell small pockets of land or surplus vehicles often brings in income of less than £10,000. This income is classed as 'revenue income' and is posted to the revenue income and expenditure account.

13. CONCLUSION

The Capital Strategy is a 'live' document which enables the Council to make rational capital investment decisions in order to achieve its corporate priorities and objectives. As a consequence, it provides a framework for determining the relative importance of individual capital projects.



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If the Council is to achieve its ambitions, it is recognised that a commitment to partnership working with both the private sector and other public sector agencies will play a significant part of the Council's overall approach.

The adoption of a five-year capital planning framework is a significant means of improving programming for major projects and ensuring the longer term sustainability of the borrowing requirement.

The Council aims to ensure that it will maximise the opportunities to attract partnership or third party funding, and will focus the use of its own scarce capital resources to provide public assets where these alternative funding sources are not available.

The Council will maintain comprehensive and robust procedures for managing and monitoring its Capital Programme.

Any policy or strategy proposed to Council that requires capital investment must be consistent with the Capital Strategy. The Strategy is to be revisited annually, to ensure that it is kept up-to-date and is relevant and effective.

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APPENDIX 1

CAPITAL PRIORITISATION PROCESS

INTRODUCTION AND BACKGROUND

Good practice dictates that the framework for allocating capital resources to capital projects is clear and understandable to all. It is therefore imperative that the Capital Strategy details the process by which projects are selected in relation to objectives and service plans. This will demonstrate a level of objectivity in the selection of projects, especially in the context of a strategic planning process.

HOW THE PROCESS OPERATES

When business cases for new schemes are brought to Committee, financing implications of capital expenditure are included in order to assess the viability of the scheme and to enable members to make informed decisions. Once the capital expenditure has been incurred, the financing of the Capital Programme as a whole is arranged by the Section 151 Officer, in line with the Council's Constitution.

Any new scheme will initially be commissioned by the Corporate Management Team. It will then be assessed against the prioritisation criteria, see below. Based on this assessment a report will be prepared for submission to Policy and Finance Committee in December before final approval by Council.

Council will consider all schemes and either: a) allocate resources to enable a scheme to be carried out; b) place it on the uncommitted list pending identification of resources; or c) reject it.



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PRIORITISATION CRITERIA

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
1	Key Priorities Scheme must link to at least one of the Council's priorities and be an objective contained within a Service Plan.	If a scheme does not clearly relate to these areas it will not be considered further.	Each scheme to be marked as to how well it fits with the following- <ul style="list-style-type: none"> • Prosperity • People • Place • Public Service 	35%
2	Evidence of Need Service Strategy National Strategy or Guidelines Statutory Obligation	In some cases local demands are in excess of national guidelines and strategies and this tries to acknowledge that the two must be balanced. This will cover Health and Safety related schemes.	The following factors will receive equal weighting :- <ul style="list-style-type: none"> • Statutory Obligation • National Strategy • Validity of consultation in relation to project. e.g. How specific to this project? Who was consulted, was this comprehensive? • Quality of evidence of need for project .e.g. size of sample base, date of evidence, format of evidence 	10%
3	Partnership Eligibility under existing criteria can be demonstrated.	Show that work has been done to ensure that the obtaining of external finance is realistic. The degree to which the partnership will add value to the project.	The proportion of finance which will be met by third party. The likelihood of receiving support. Assessment of the value the partner will add to the project.	15%

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	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
4	<p>Outputs and Outcomes</p> <p>These have been clearly identified and can be justified from supporting evidence. Specific comments should be made as to how the scheme represents value for money when compared to other options</p>	<p>This will enable the council to improve the way it reports its work and clearly show what is being achieved. The comments should refer to any performance indicators which the proposal is addressing specifying what the improvement target is.</p>	<p>Assessment then made on what the scheme will achieve.</p>	<p>15%</p> <p>Assessment of all factors or group of factors</p>
5	<p>Financial</p> <p>Capital costs have been based on internal or external professional advice Revenue implications have been properly developed</p>	<p>Capital costs include both works and land purchase and cover all associated costs. Try and avoid “guesstimates” which result in schemes requiring increased finance or having to be reduced to meet finance available.</p>	<p><u>Capital</u> will be based on the quality of work which has been put into estimate. e.g. costed feasibility studies. <u>Revenue</u> will be based on whether the effect is positive, neutral or negative on the revenue budget. Positive effect scores 10 Neutral effect scores 3 Negative effect scores 0</p>	<p>15%</p> <p>Capital marked 1 to 5 Revenue marked 0 to 10</p>
6	<p>Risk Assessment</p> <p>Identify the level of risk in a project not being able to proceed. For example planning appeals, listed building consent. Over subscription of partnership funds</p>	<p>Try and ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or no-delivery.</p>	<p>The following will all need to be considered:- Technical Issues Financial Uncertainty Partnership uncertainty Planning Issues Legal issues Timescale</p>	<p>10%</p>



INTERNAL AUDIT PROGRESS REPORT

1.0 Purpose of Report

To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 15 January 2018.

2.0 Introduction

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2017/18 against the agreed audit plan.

3.0 RECOMMENDATION

That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

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Internal Audit Progress Report February 2018



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Key Messages	2
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Overdue Audit Recommendations	10
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Appendices

- Appendix 1 – Audit Plan & Scheduling 2017/18
- Appendix 2 – Extended Implementation dates
- Appendix 3 - Assurance Definitions

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Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 2017/18 Audit Plan as at 15 January 2018
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the Audit and Accounts Committee role

Key Messages

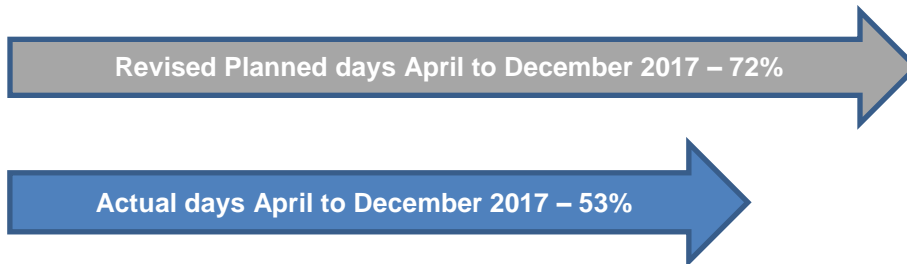
2. We have completed two audits since the last progress report – with the following assurance ratings:

High Assurance	Substantial	Limited	Low
■ Insurance	■ None	■ Estates Management	■ None

Note The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in Appendix 3.

3. There are seven audits currently at draft report stage – these are:
 - Car Parks draft report is currently with CMT awaiting sign-off.
 - Performance Management is currently with CMT awaiting sign-off.
 - ICT Operations – Starters and Leavers is currently with the auditee.
 - The Visitor Centre (National Civil War Centre and Palace Theatre) - responses have now been received and the report is with CMT for sign-off.
 - Moving ahead second review closure meeting held and further information to be reviewed before issuing a further draft report.
 - Corporate Governance is currently being drafted
 - Income/Banking arrangements draft report drafted and going through the review process
4. The move to Castle House has (as expected) had an impact on our ability to progress some of our audits due to the availability of staff but we do not anticipate this will affect overall delivery – we took this into account in our planning process.

5. Two audits postponed at the request of the auditee remain to be rescheduled, other previously postponed have been re-scheduled.
6. We have delivered :-



Appendix 1 provides more details on the Audit Work Plan and schedule.

7. Progress has been made in implementing audit recommendations - there are currently no overdue actions and six actions for which the implementation date has been extended (See Appendix 2).

Internal Audit work completed at 15 January 2018

8. Below are summaries of the audit reports issued:

Estates Management – Limited Assurance

The review covered two areas of the Council's commercial properties business activity, we presented the level of assurance for each area and our overall assurance level.

Asset Management (Estates) – Substantial

The commercial properties administered by Asset Management (Estates) have sufficient arrangements in place ensuring rental income is collected, loss of income through irrecoverable debts is kept under control and the occupancy rate is maximised whilst vacant properties are kept to minimum.

Newark BIC - Limited

Our review identified that improvements are required to maximise the income generation, a return on the investment and the occupancy for the Council's commercial properties, which Oxford Innovation manages at the Newark BIC.

The areas identified where improvements could be made include:-

Asset Management (Estates)

- Review the resources allocated to Asset Management (Estates) ensuring that they are adequate to deliver the business activity.
- Ensure reviews are undertaken to identify historical customer debts which are difficult to recover and seek appropriate authorisation for write off. It is agreed that debts over 6 years old which cannot be legally recovered are written off

Newark BIC

- Maximise rental income and occupancy levels whilst external management

- costs are minimised ensuring the activity is not operating at a substantial loss.
- Ensure income collected from the Newark BIC properties is included in the Council's Major Income Stream to enable it to be corporately monitored.
 - Debtor invoices for the BIC rental leases are raised in full and correctly accounted for within E-Financials.
 - Information on the lease activity is received from Nottinghamshire County Council regularly in accordance with the agreement to enable appropriate and timely invoicing.

Insurance – High Assurance

The Council has effective processes in place to identify its insurance risks, procure and effectively administer the insurance arrangement ensuring key industry changes affecting the level of cover needed and related budget provision are identified and highlighted to senior management.

The level of current cover in place ensures risks that cannot be managed internally are transferred to relevant insurers and sufficiently insured.

Other significant work

9. The assurance mapping exercise has now been completed and the results pulled together within a report. After detailed discussions with the Corporate Management Team and Business Managers the results of this exercise has informed the Internal Audit Plan going forward.

Overdue and Extended Audit Recommendations

10. There are currently no overdue actions this quarter. However there are six recommendations where the implementation dates have been extended once for High risk (1) and more than once for Medium risk (5). These are detailed in Appendix 2.

Performance Information

11. Our performance is measured against a range of indicators. The table below shows our performance on key indicators as at 15 January 2018.

Performance Details 2017/18 Planned Work

Performance Indicator	Target	2017/18 Actual @ 15/01/18
Percentage of revised NSDC plan completed.	100% (Annual year end)	53%*
Percentage of key financial systems completed.	100% (Annual year end)	40%
Percentage of recommendations agreed.	100%	100%
Percentage of recommendations implemented (2017/18 plan).	100%	100%
Timescales		
a) Draft report issued within 10 working days of completing audit.	■ 100%	■ 100%
b) Final report issued within 5 working days of closure meeting / receipt of management responses.	■ 100%	■ 100%
c) Draft report issued within 2 months of fieldwork commencing	■ 80%	■ 67%
Client Feedback on Audit (average)	Good to excellent	N/A

*Indicator based on the number of days spent against the total number of days within the revised annual plan

12. There remains some slippage within the plan following the delayed start of some audits at the beginning of the year, availability of some auditees during the office moves and the postponement of some audits by the Council. We have additional resources in place to reduce the slippage with the aim of commencing all audits before the end of the financial year.
13. The number of audits completed within the two month duration has improved with no further audits exceeding the target thereby increasing the overall percentage from the previous quarter.

Changes to the 2017/18 Plan

14. Changes made since the last Committee meeting are as follows:-
 - Strategic Asset Management has been removed from the plan as the service is currently under review and a new Business Manager is currently being appointed.
 - Funding has been removed as the client manager who requested it has since left and the manager felt that the scope of the audit was similar to one carried out recently.

Appendix 1 – Audit Plan 2017/18 Schedule

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Progress %	Audit State
Corporate Governance	10	Requirements of the revised framework have been identified and implemented/plans put in place to implement.	Aug	Jul		85%	Draft Report
Corporate Policy	5	There are process in place which ensure the Council has relevant policies and these are kept up-to-date and published where necessary.	Nov				
Car Parks	8	Income security and collection processes are adequate. The potential reduction of income due to the loss of some spaces and the effect of the devolution of Markets is managed.	Oct	Oct		95%	With CMT
Leisure Centres – Client Monitoring	5	Monitoring arrangements are in place to effectively monitor the performance of Active4Today and ensure compliance with the agreement.	Sept				Auditee postponed
ICT - Operations	5	Network users are managed effectively with appropriate set-up, change and removal processes.	May	Jun		85%	Draft Report
ICT - Compliance	5	Follow-up of progress on PCIDSS compliance.	Jan	Jun		30%	Fieldwork
ICT - Application	8	Review of one or more key applications	Dec				
Information Governance	10	The arrangements in place for Information Governance ensure that the relevant legislation is complied with and information held by the Council is secure. Arrangements are in place to ensure that General Data Protection Regulations are in place before the deadline.	Dec	Dec		85%	Draft Report
Moving Ahead	10	Final gateway review of the closure process including outcomes and lessons learned.	Dec				Auditee postponed to February
Performance Management and Assurance	8	There are effective processes in place which ensure that the Council is measuring relevant performance and reporting	Nov	Oct		95%	With CMT

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Progress %	Audit State
		to stakeholders. Action is taken where assurance of compliance is not being provided.					
Risk Management	8	There are arrangements in place which ensure that the risks are identified, monitored and mitigated.	Nov	Jan		1%	Preparation
Health and Safety	8	Compliance with policies and legislation.	Sept	Jan		5%	Terms of reference drafted
CCTV	5	Follow-up of the recommendations made in the 2015/16 audit review.	Mar				
Estates Management	10	Income is promptly collected and voids minimised. There is a business plan in place.	May	May	December 2018	100%	Completed
Strategic Asset Management	8	There is an up-to-date Strategic Asset Management plan in place and reported. All Council assets are recorded and maintained by the Council or in accordance with any agreement.	Jan	N/A	N/A	N/A	Cancelled
Key Control Testing	30	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	Jan				
Income/ Banking arrangements	9	Revised processes in place for the collection, recording and reconciliation of income comply with Financial Regulations and ensure that all income is accounted for. Arrangements with the new bank are embedded.	Sept	Dec		85%	Originally postponed awaiting appointment of new staff. Draft report
Funding	6	Processes are in place which ensure that changes to funding are identified and fed into relevant financial models and planning decisions.	Jul	N/A	N/A	N/A	Cancelled
Procurement	5	Recommendations made within the previous report have been implemented and embedded.	Jul	Oct		15%	Delayed by appointment of new Director. Terms of reference agreed

Area	Days	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Progress %	Audit State
Housing Benefits/ Council Tax Support	15	Benefits are paid in accordance with the legislation and Council Tax Support awarded in accordance with policies.	May	Jun	October 2017	100%	Completed
Contract Management	8	There are arrangements in place which ensure that contracts are managed effectively.	Feb				
Insurance	8	Insurance cover is in place, adequate and correctly recharged.	Aug	Sept	November 2017	100%	Completed
Housing and Planning Act	0	Review of processes in place to ensure that the requirements of the Act are identified, implemented and the affects of the implementation reported (including the affect on the HRA)	Jun	N/A	N/A	N/A	Cancelled
Combined Assurance	15	Updating the assurance map and completing the Combined Assurance report.	Oct	Oct		85%	Report drafted
Active4Today	2	Assurance on creditors figures feeding into the group accounts.	Jan				
Gilstrap	1	Review of the Gilstrap accounts for the Charities Commission.	Aug	Jun	N/A	100%	Completed
Mansfield Crematorium	5	Completion of the audit of the Mansfield Crematorium Accounts	Apr	May	N/A	100%	Completed
Newark Cattlemarket	5	Completion of the rent calculation for 2016/17	Jun	Jun	Aug	100%	Completed
Emergency Planning	0	c/f from 2016/17 plan	N/A	N/A	N/A	N/A	Postponed by auditee to 2018/19
Debtors - Trade Waste	3	Review of the proposed new system, providing advice.	N/A	Jun	Aug	100%	Report
Business Continuity	5	Follow-up review to ascertain current position	N/A	Dec		85%	Draft report
Contingency	18	Original budget 18, 3 allocated to Debtors work, 2 additional work on estates, 5 allocated to Business Continuity and 10 added cancelled audit.	N/A	N/A	N/A	N/A	N/A
Grand Total (Revised)	248						

Appendix 2 – Extension of Implementation Dates

Audit Area	Date	Assurance	No.of Agreed Recs	Implemented/ Closed	Not Due	Extended		Revised Implementation Date	Reason for extension
						H	M		
ICT									
ICT - Database	Aug-17	Substantial	6	0	0	1	0	30/11/17 then to 28/02/18	Progress has been made, several suppliers to chase up for completed forms
							1	31/12/17 then 31/03/18	Having worked with IDOX on the resolution of this & the below recommendation, the scope of work has been agreed & an order is to be raised for the work to be completed.
							1	31/12/17 then 31/03/18	As above
							1	31/12/17 then 31/03/18	Awaiting for date from IDOX of when the work can be completed, have chased account manager for a response
							1	31/12/17 then 31/03/18	As above
							1	31/12/17 then 31/03/18	As above
Resources									
VAT	May'16	Substantial	4	3	0	0	1	30/11/17 then 31/01/18	Due to other pressures (change in requirement for Budget Monitoring) time has not been set aside for this. Once the Budget has been finalised, this can be picked up again
Total			10	3	0	1	6		

Appendix 3 - Assurance Definitions¹

<p>High Assurance</p>	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
<p>Substantial Assurance</p>	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
<p>Limited Assurance</p>	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
<p>Low Assurance</p>	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

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ANNUAL INTERNAL AUDIT PLAN

REPORT PRESENTED BY: BUSINESS MANAGER FINANCIAL SERVICES

1.0 Purpose of Report

1.1 The Internal Audit Plan (Appendix A) sets out the proposed work of Internal Audit for 2018/19.

2.0 Introduction

2.1 The Internal Audit plan has been developed to demonstrate how assurance can be given on:

- The critical systems of the Council
- Due diligence activities
- Strategic and emerging risks
- Key transformation programmes and projects.
- ICT Assurance.

2.2 Assurance Lincolnshire have developed a combined assurance model for the Council which is a record of assurances against your critical activities and risks. It provides an overview of assurance provided across the whole Council – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance ‘gaps’.

2.3 The internal audit plan has been developed with reference to our draft combined assurance model as well as previous audit work, audit risk assessment, discussions with senior management, strategic and emerging risks.

2.4 Appendix A sets out in detail Assurance Lincolnshire’s approach and what we intend to review in 2018/19. Any slight changes to the plan during the year will be agreed with the Business Manager Financial Services and subsequently notified to the Audit and Accounts Committee.

3.0 RECOMMENDATION

The Audit and Accounts Committee approve the Internal Audit plan.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

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Newark and Sherwood District Council Draft Internal Audit Plan 2018/19



What we do best

Innovative assurance services

Specialists at internal audit

Comprehensive risk management

Experts in countering fraud

..... And what sets us apart

Unrivalled best value to our customers

Existing strong regional public sector partnership

Auditors with the knowledge and expertise to get the job done

Already working extensively with the not-for-profit and third sector

Introduction	1
Internal Audit Strategy – how we choose what to look at	1
Draft Internal Plan 2018/19	3
Our Performance & Quality Assurance Framework	4
Fees	5
Appendices:	
Appendix A - Audit Lincolnshire – Planning Risk Assessment	
Appendix B - Draft Internal Audit Plan 2018/19	
Appendix C – Auditable Areas not included in 2018/19 Plan	
Appendix D – Current Cyclical Due Diligence Pattern	
Appendix E - Quality Assurance Framework	



Introduction

1. This report summarises the proposed work of Internal Audit for 2018/19. The aim is to give a high level overview of areas we are likely to cover during the year – giving you an opportunity to comment on the proposals.
2. The audit plan has been developed to enable us to respond to changes during the year. Whilst every effort will be made to deliver the plan, we recognise that we need to be flexible and prepared to revise audit activity – responding to changing circumstances or emerging risks. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year.
3. Internal Audit is a statutory service required under the Account and Audit Regulations 2011 (amended 2015). We provide independent assurance designed to add value and improve how the Council operates. We help the Council achieve its priorities and objectives by bringing a systematic, disciplined approach to evaluate and improve the management of risk, control and governance processes.
4. Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:
 - Achieve strategic objectives
 - Ensure effective and efficient operational systems and programmes
 - Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
 - Ensure the reliability and integrity of financial and operational information
 - Ensure economic, efficient and effective use of council resources
 - Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

5. Our Internal Audit strategy has been developed to take into account management's assessment of risk (including those set out in strategic and operational risk registers) and the assurances present on the Council's critical systems and key projects (the Council's assurance map).
6. We also use our own risk assessment against each activity assessing their significance, sensitivity and materiality – ranking the activity as high, medium or low risk. This allows us to prioritise possible areas to be included in the plan on the basis of risk. A copy of our risk assessment methodology is attached in Appendix A.
7. Our aim is to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.
8. By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. Internal Audit are then able to use our risk assessment and the assurance map to target resources to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.
9. We have identified the level of assurances in place by using the "Three lines of assurance" model – See Figure 1 below.
10. Figure 2 below shows the overall assurance levels on your critical service areas / activities and risks.
11. We intend to leverage assurance from these other sources to enable the Head of Internal Audit to provide their Annual Audit opinion on the Council's governance, risk and control framework for 2018/2019.

Figure.1. The three lines of assurance model

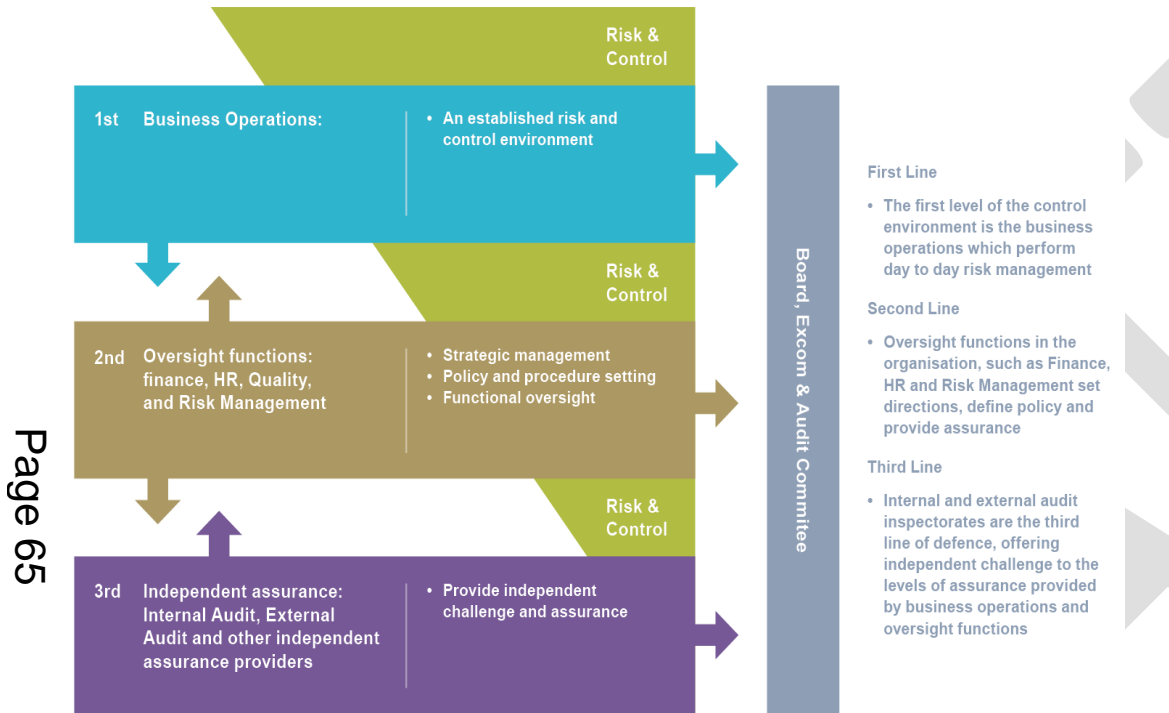
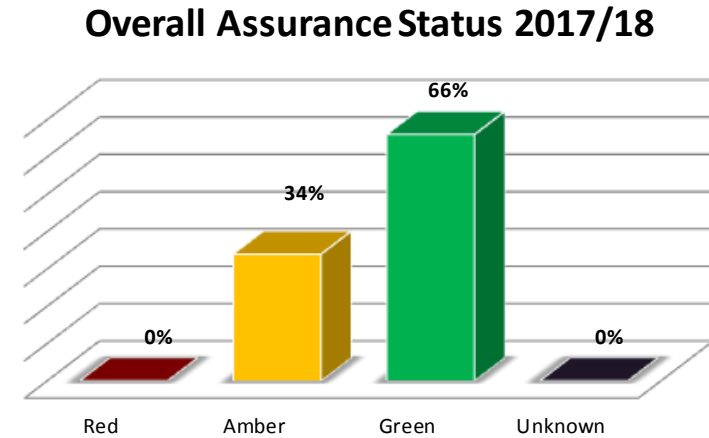


Figure 2 – Your Overall Assurance Status @ December 2017

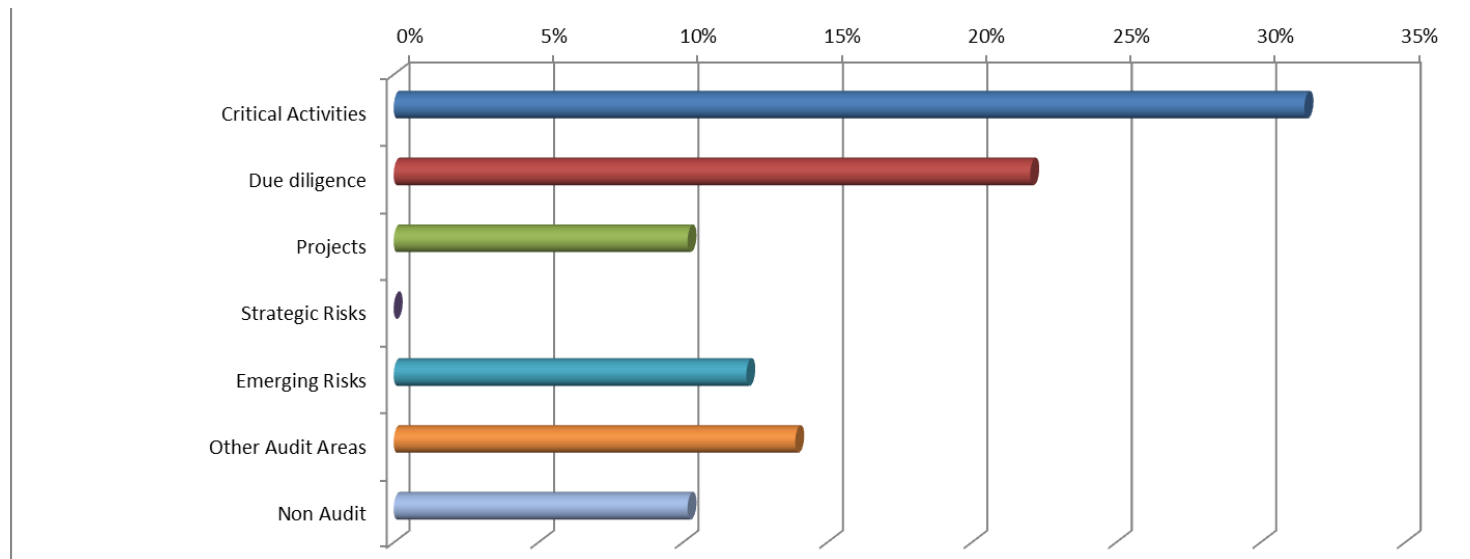


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12. We co-ordinate our work on key financial systems with the Councils External Auditors, KPMG. We work to a joint working protocol which sets out where the External Auditor seeks to place reliance on our work. This ensures that the Council gets the most out of its combined audit resource – keeping audit fees low.

13. Using our Internal Audit Strategy we have developed the 2018/19 Internal Audit Plan balancing affordability, quality and assurance requirements. Our planning considers those audits required to be reviewed on a cyclical basis as part of our due diligence assessment, this is provided in Appendix D. The plan contains 295 days. The type of areas included in the plan for 2018/19 is shown in Figure 3 with the proposed audits in Appendix B. A schedule of audits will be developed with management once the plan has been approved.

Figure 3 – Analysis of Internal Audit Resource (showing % split)



14. The Combined Assurance Status reports provides management and members with insight over the current levels of assurance over the Council's critical activities, key projects and risks however the Audit and Accounts Committee may wish to specifically request assurance information directly from management for those items not in the Internal Audit Plan. Analysing the assurance map identified a number of specific critical and medium risk activities – which we do not have the resources to review – these are shown in Appendix C.



15. Assurance Lincolnshire operates in conformance with standards of best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note. Our audit team offers a wide depth of knowledge and experience gained across different organizations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework (Appendix E) and our training and development programme.
16. Our Quality Assurance Framework includes all aspects of the Internal Audit Activity – including governance, professional practice and communication.
17. Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit and Accounts Committee in 2016 following the revision of the Standards.
18. Internal Audit remains sufficiently independent of the activities that it audits to enable auditors to perform their duties in such a way that allows them to make impartial and effective professional judgements and recommendations.
19. We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.
20. Our performance measures are set out below in Figure 4 for information:

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Figure 4: Our performance measures

Performance Indicator	Target
Percentage of plan completed	100% (revised plan)
Percentage of key financial systems completed	100%
Percentage of recommendations agreed*	100%
Percentage of recommendations implemented*	100%
Timescales	<ul style="list-style-type: none"> • Draft report issued within 10 working days of completing audit • Final report issued within 5 working days of closure meeting/receipt of management responses • Period taken to complete audit – 80% completed within 2 months from fieldwork commencing to the issue of the draft report.
Client feedback on Audit (average)	Good to excellent



* Achievement of the performance measures on recommendations agreed and implemented are not within our control. These are reported so the Audit Committee can see what actions management have taken. The details of any recommendations not agreed will be included in the executive summary and report to Committee.

21. Our internal audit fee is determined through the pricing schedule within the Service Level Agreement. Before commencement of any additional work requested an estimate will be provided of the costs.

Area	2017/18	2018/19
Internal Audit	£93,060	£80,370*

* Excludes Newark and Sherwood Homes and 10 days paid for in 2016/17 for the Emergency Planning audit which was postponed.

Annual Internal Audit Opinion

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22. We are satisfied that the level and mix of resources - together with the areas covered in the plan - will enable the Head of Internal Audit to provide their annual internal audit opinion.

Staffing

23. The core team who will be delivering your Internal Audit plan are:

Name	Grade	Telephone	Email
Lucy Pledge	Head of Internal Audit	01522 553695 07557 498932	lucy.pledge@lincolnshire.gov.uk
John Sketchley	Team Leader	01522 553652	john.sketchley@lincolnshire.gov.uk
Amanda Hunt	Principal	01636 655336	amanda.hunt@newark-sherwooddc.gov.uk amanda.hunt@lincolnshire.gov.uk
McJoy Nkhoma	Senior Auditor	01636 655335	mcjoy.nkhoma@newark-sherwooddc.gov.uk mcjoy.nkhoma@lincolnshire.gov.uk

The team will be supported by specialists from Assurance Lincolnshire and our wider audit frameworks as and when appropriate.

An indicative staff mix delivering our Internal Audit service to you is shown below:

Grade	2018/19 (days)	Grade Mix (%)
Head of Internal Audit	8	3%
Team Leader / Audit Manager	24	8%
Principal Auditor	129	44%
Senior Auditor	134	45%
Audit Officer	0	0%



Value / Volume

This assessment is based on either the cost to the council, the volume of transactions that the activity is handling or a combination of the two

- 0 – Not material
- 1 – Minor importance (up to £100k¹ budget and approx. weekly transactions)
- 2 – Important (up to £1m² budget and up to daily transactions)
- 3 – Material (over £1m budget and multiple transactions daily)

Audit rating

- 0 – recent review no significant findings (full / substantial)
- 1 – Recent review with findings (limited)
- 2 – Not recently reviewed (3 years)
- 3 – Recent review – number of significant findings (No assurance)

Sensitivity / Profile (Risk)

This assessment is about the impact if things went wrong, how much interest would there be and how much would this impact on reputation

- 0 – low (internal system)
- 1 – Medium profile
- 2 – High profile

Significance

This assessment reflects how important the activity is to the authority and its residents

- 0 – not significant
- 1 – Minor significance
- 2 – Significant
- 3 – Very significant

Changes to people / systems

- 0 – no changes
- 1 – Minor changes
- 2 – Significant changes
- 3 – New system or team

Other assurance

Other assurances we have identified during the mapping process and how much reliance we can place on these.

- 0 – high level of assurance – e.g. Snr mgmt. oversight / management reporting / activities / external review / scrutiny
- 1 – Moderate level of assurance – management assurance
- 2 – Low level of assurance – new area – assurance unknown – emerging risk

Risk score		Risk score		Risk score	
1	Low	7	Med	12	High
2		8		13	
3		9		14	
4		10		15	
5		11			
6					

¹ £500k for County

² £5m for County

Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Critical Service Areas Those areas identified by senior management as having the most impact on successful delivery of priorities or whose failure could result in significant damage to reputation, financial loss, impact on people (risks). The outcome of the assurance mapping exercise – together with our assessment of risk – will enable us to identify potential areas where an independent audit would add value.							
Domestic Refuse	The service provided is efficient and effective with any income due to the Council being collected and accounted for. Action is taken to resolve customer complaints which are monitored and used to improve performance.	8	10	G		✓	
Street cleansing	An efficient and effective service is in place which ensures that streets are maintained at the level of cleanliness expected.	6	9	A		✓	
Business Continuity	Follow-up review to assess the progress being made on the implementation of the recommendations made and ownership has been assigned.	5	12	A	✓		
Emergency Planning	Arrangements are in place which enable the Council to effectively manage an emergency planning situation.	8	12	A	✓		
Human Resources	Processes for the Public sector exit payments and the implications of the National Minimum wage and any cascading affect are considered within the Pay Policy and implemented when required.	8	8	G	✓		
Economic Development	The Council has an economic development strategy in place which sets out it's objectives and actions. The projects/schemes/processes used to achieve the objectives are robust and authorised.	8	9	G	✓	✓	
HRA Self Financing Business Plan	There is a business plan in place which is up-to-date, based on sound assumptions and reported.	10	10	G			

Strategic Asset Management	There is an up-to-date Strategic Asset Management plan in place and reported. All Council assets are recorded and maintained by the Council or in accordance with any agreement.	8	10	A			
Environmental Protection	Licenses are issued where statutorily required with income being collected and accounted for. Inspections are carried out and documented in accordance with legislation.	10	10	G		✓	
IT Governance	The Governance arrangements of the IT service ensure that there are processes in place and roles and responsibilities are clearly identified.	6	6	G			
IT Infrastructure	Review of various aspects of the Council's IT infrastructure which may include security of IT assets; network security; physical security; firewall security; remote access portals / virtual private networks; operating system reviews; web security; internet and email security; anti-virus and malware; penetration testing; public services network; and incident management.	8	12	G			
NSDC Companies	Review of the Governance and processes in place for the Council's wholly owned companies.	8					✓
Sub Total		93					

Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Due Diligence Those systems that support the running of the organisation and ensure compliance with key corporate policies and legal requirements – the 'business as usual' systems. How often Internal Audit reviews these activities depends on previous assurance opinions, when the area was last examined and if there has been any significant changes to the system or senior management. For financial systems we also consider the requirements of External Audit to ensure that the organisation makes the best use of its combined audit resources.							
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.	30	N/A	N/A		✓	
Counter Fraud	Strategies and policies are in place for the prevention and detection of fraud.	8	8	G	✓	✓	
Creditors	There are effective processes and procedures in place which ensure that payments are made to the correct suppliers in a timely manner and in accordance with the Council's Financial Procedure Rules.	8	8	A			
Payroll	The processes and procedures in place ensure that only authorised payments are made to staff and members in a timely manner.	8	10	G			
Running of elections and Referendums	There are arrangements and policies in place which ensure that the Council effectively manages the election and referendum processes and payments in accordance with the electoral commission guidelines.	5	8	G	✓		
Assurance	The responsibilities of the assurance function are clearly defined and embedded enabling the provision of accurate and up-to-date reporting of compliance and monitoring of corrective measures.	6	7	A			
Sub Total		65					

Audit Area	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Projects							
Those supporting delivery of a corporate objective / priority.							
Project/Programme Management	There are effective arrangements in place which ensure that all projects are recorded, allocated responsible officers/teams and overseen allowing an overarching view of capacity and identifying any benefits or efficiencies.	10	12	G	✓	✓	
Development Company	There is an action plan in place for the establishment of the Company and governance arrangements which follow best practice. The establishment of the Company is authorised.	10		A		✓	
Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	10		A		✓	
Sub Total		30					

Strategic and Emerging Risks

To enable Internal Audit to respond to changes during the year, we will meet regularly with Senior Management to agree which areas to focus our audit assurance work.

The following areas have been identified through our risk assessment and on the assurance map as possible areas to focus audit activity.

Brexit Preparation and understanding the risks and opportunities	The Council is aware of the potential implications of Brexit and keeps abreast of these as the process progresses. These implications are identified within any strategic planning for the Council and it's wholly owned companies.	8					
Workforce changes and succession planning within the Council including changes within the management team	The Council has a workforce plan in place which meets the changing needs of the Council and the demographic and skills of staff. There is also a plan in place for succession planning of key staff identifying positions which hold the greatest risk if vacant i.e. specialist knowledge, statutory responsibility, lone workers etc.	8			✓		
Review of IR35	There are processes in place which ensure that the Council identifies all those affected by IR35 and payments are made in the correct manner.	6					
S106 Funding	There are effective processes in place for the receipt and spending of S106 monies.	6				✓	
Cyber Security	The Council has arrangements in place to safeguard it from a cyber security attack. If it does suffer an attack there are effective processes to contain it and reduce it's affect on the Council's business.	8			✓		
Sub Total		36					

Other Relevant Areas	Assurance Sought	Days	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Other relevant areas							
Combined Assurance Status Report - Our aim is to give Senior Management and the Audit Committee an insight on assurances across all critical activities and key risks, making recommendations where we believe assurance needs to be stronger.							
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	20			✓		✓
Contingency	As discussed, none to be included.	0					
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	10					✓
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	1					✓
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	5					✓
Newark Cattlemarket	Completion of the rent calculation for 2016/17	5				✓	✓
Sub Total		41					

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Non-Audit	Days
Advice and liaison	15
Annual Report	3
Audit Committee	10
Review IA Strategy and Planning	2
TOTAL	30

Grand Total	Days
Internal Audit	295

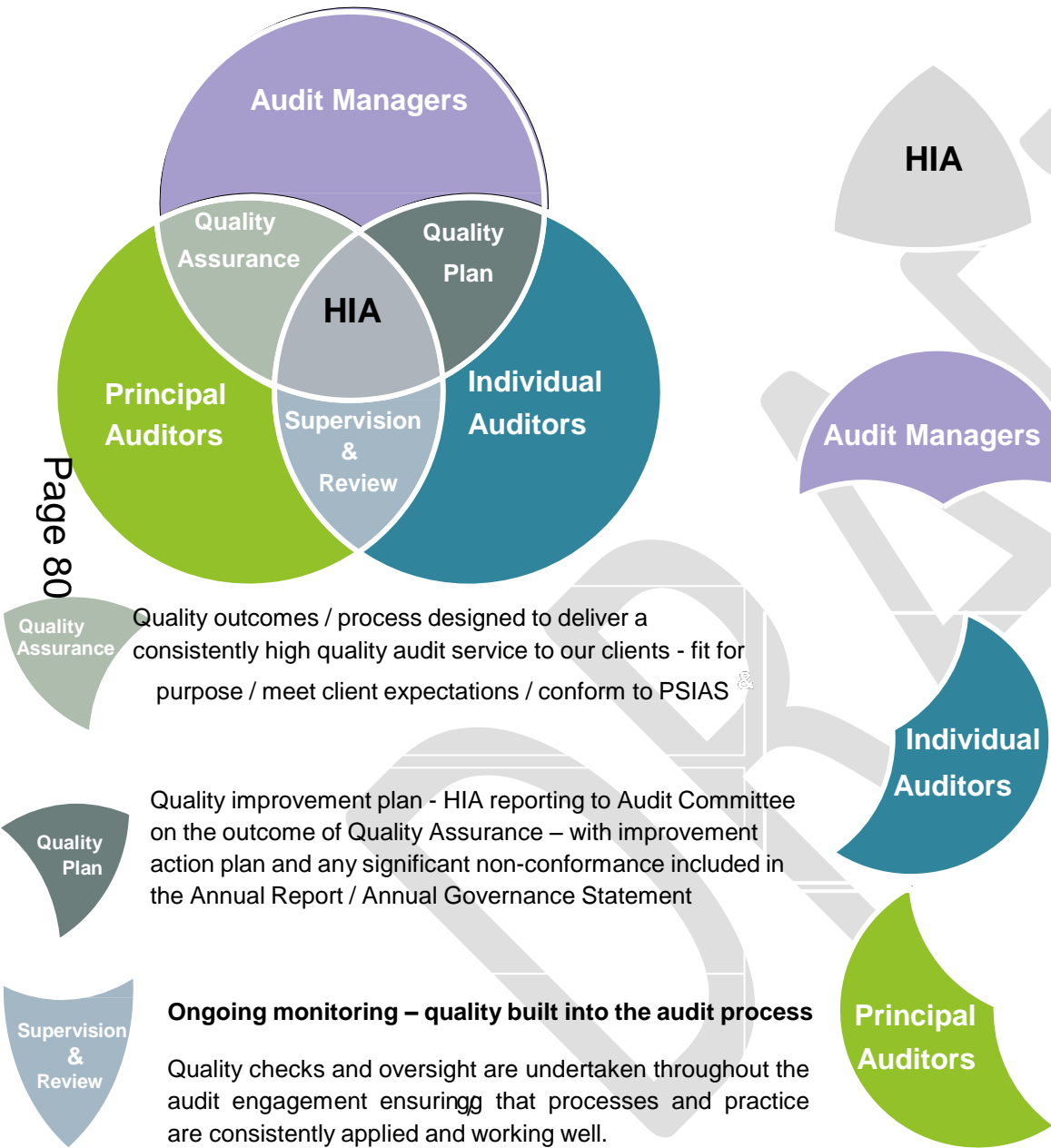
Auditable Areas	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Financial strategy, budget preparation and financial modelling	There is a financial strategy in place which informs the budget preparation and financial modelling. The arrangements in place for budget preparation and financial modelling are sound and comply with the Financial Regulations	Medium	Amber	✓	✓	
Land charges	There are effective arrangements in place for the administration of applications and collection of monies. The register is kept up-to-date and the information provided is accurate.	Medium	Amber			
National Civil War Centre	The Centre is managed effectively maximising income and ensuring the security of the items on display and in it's custody.	Medium	Amber		✓	
Newark Cattlemarket	The arrangements in place for the management of the cattlemarket ensure that the income is collected in accordance with the lease and the terms of the lease are adhered to. The council ensures that the current use and lease supports it's priorities on regeneration for the town.	Medium	Amber		✓	
Energy/carbon management	The Council has processes in place to monitor it's energy usage and an action plan to reduce it as far as possible in accordance with government guidelines.	Medium	Amber			
Housing options advice and assistance and provision of temporary accommodation (fulfilling statutory responsibilities) includes homelessness strategy and private tenant scheme	There is a homelessness strategy in place which adheres to legislation. The unit has in place processes which ensure that homelessness is prevented wherever possible through the provision of advice and other approved schemes. There is effective management of the hostels.	Medium	Amber		✓	

Projects						
Community and Activity Village	The project is managed effectively to ensure that the contractor delivers.	Medium	Amber		✓	
Castle Gate House	The project is managed effectively, meeting the requirements of the grant.	Medium	Amber			
Emerging Risk						
Funding Changes	There are plans in place which reflect current funding and these are amended for known or predicted changes as soon as possible.	Medium	Amber	✓	✓	
		Medium	Amber		✓	
Partnerships						
Collaboration Agreement	There are plans in place which will ensure that the objectives set out within the agreement are achieved.	Medium	Amber	✓	✓	✓
Building Control	There are effective monitoring arrangements in place which ensure that the residents of the district are getting the service expected and included within the agreement.	Medium	Amber			

Appendix D – Current Cyclical Due Diligence Pattern

System	Opinion	Last audited	Assurance Map Rating	Risk Score	System Changes	Current Cyclical Pattern		
						Year 1 2018/19	Year 2 2019/20	Year 3 2021/22
Financial Due Diligence								
Income Collection including Cash Receipting*	Indicative - Substantial	2017/18	Amber	Medium	Cashless			✓
Bank*	Indicative - Substantial	2017/18	Amber	Medium	New bank			✓
Budgetary Control/Management	High	2015/16	Amber	Medium	No		✓	
General Ledger/Financial Reporting	Effective	2014/15	Amber	Medium	New management staff		✓	
Budget prep and financial strategy	High / Substantial	2015/16 2013/14	Amber	Medium	New management staff		✓	
Creditors*	High	2015/16	Amber	Medium	New management staff	✓		
Debtors*	Substantial	2015/16	Green	Medium	No		✓	
Payroll*	Substantial	2013/14	Green	Medium	New management staff	✓		
Treasury Management*	Some Improvement Needed	2013/14	Green	Medium	New management staff		✓	
Property, Plant and Equipment*	Substantial	2016/17	Green	Medium	New management staff		✓	
Council Tax*	High	2015/16	Green	Medium	No		✓	
NDR*	Ongoing	2016/17	Green	Medium	No			✓
Benefits*	Substantial	2016/17	Amber	Medium	No			✓
Other Due Diligence								
Procurement	Indicative – Limited In progress	2015/16 2017/18	Green	Amber	Legislative/ Electronic			✓
VAT/Tax	Substantial	2015/16	Green	Low	New management		✓	

System	Opinion	Last audited	Assurance Map Rating	Risk Score	System Changes	Current Cyclical Pattern		
						Year 1 2018/19	Year 2 2019/20	Year 3 2021/22
					staff			
Insurance	High	2017/18	Green	Medium	New management staff			✓
Grants Received	New		Amber	Medium	New management staff		✓	
Counter Fraud	Substantial	2016/17	Amber	Medium	New staff	✓		✓
Risk management - Process	Substantial In progress	2015/16 2017/18	Green	Amber	No			✓
Project/Programme Management	No opinion In progress	2015/16 2017/18	Green	High	New Process	✓		
Financial regulations & management	Ongoing	2015/16	Green	Medium	Regulations updated		✓	
Equality & Diversity	Substantial	2015/16	Green	Low	No		✓	
Health & Safety	Some Improvement Needed In progress	2014/15 2017/18	Amber	Low	No			✓
Code of Corp Governance	Substantial In progress	2013/14 2017/18	Green	Low	No			✓
Information Governance	Some Improvement Necessary Indicative - High	2014/15 2017/18	Green	Medium	New legislation coming in			✓
Partnerships	Advisory report	2015/16	Green	Medium	No		✓	
Corporate planning	High	2015/16	Amber	Low	No		✓	
Business Continuity	BC – Advisory Indicative - Limited	2016/17 2017/18	Amber	High	New staff and process	✓		
Emergency Planning	Substantial	2012/13	Amber	High	New staff and process	✓		
Human Resources	High	2016/17	Green	Medium	Change in legislation	✓		



Annual self- assessment

- Head of Internal Audit - develop & maintain Quality Assurance Improvement Programme (QAIP) & improvement action plan
- Focus on evaluating conformance with Internal Audit Charter, definition of Internal Audit, Code of Ethics & the Standards
- Arrange an External Assessment – co-ordinated with Audit Committee (planned for 2015)

Periodic quality assurance assessments

- Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Provide HIA with quarterly highlight reports on outcome of reviews

- Conduct all audit engagements in accordance with audit practice standards / PSIAS
- Behave at all times in accordance with the Code of Ethics / Code of Conduct
- Promote the standards and their use throughout the Internal Audit activity
- Commitment to delivering quality services

- Obtain on-going assurance that that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards
- Undertake engagement supervision and review

EXTERNAL AUDITORS' CERTIFICATION OF CLAIMS AND RETURNS 2015/16

1.0 Purpose of Report

1.1 To present the external auditor's report regarding certification of grant claims and returns made in 2016/17.

2.0 Introduction

2.1 Each year an audit of the Council's grant claims and returns is carried out by the Council's external auditors, KPMG. The report for 2016/17 attached at Appendix A covers one grant claim totalling £25.98m and one return.

3.0 Certification of Claims & Returns

3.1 An un-qualified opinion was given for the audit of the Housing Benefit Subsidy grant.

3.2 No issues were found with the Capital Receipts Pooling return.

3.3 No adjustments were necessary to either the Council's grants or returns as a result of the certification work for 2016/17.

4.0 Fees

4.1 The total fee for the grants and returns certification work was £11,022, an increase of £2,497 compared to the 2015/16 fee. This was in-line with that of the indicative fee set by Public Sector Audit Appointments.

5.0 RECOMMENDATION that

Members consider and comment on the external auditors report on the certification of grant claims and returns for 2016/17.

Background Papers

Nil

For further information please contact Jonathan Gorrie on 0121 2323645

Nick Wilson
Business Manager -Financial Services

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Annual Report on grants and returns 2016/17

Newark and Sherwood District Council
January 2018



Contents

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Headlines

Summary of certification work outcomes

Fees

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Jonathan Gorrie, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (andrew.sayers@kpmg.co.uk). After this, in relation to the certification of the Housing Benefit Subsidy grant claim, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

Introduction and background

This report summarises the results of work we have carried out on the Council's 2016/17 grant claims and returns.

This includes the work we have completed under the Public Sector Audit Appointment certification arrangements, as well as the work we have completed on other grants/returns under separate engagement terms. The work completed in 2016/17 is:

- Under the Public Sector Audit Appointments arrangements we certified one claim, the Council's 2016/17 Housing Benefit Subsidy claim. This had a value of £25.98 million.
- Under a separate assurance engagement we also certified the Council's 2016/17 Housing Pooling Return.

Certification and assurance results (Pages 3-5)

Our certification work on Housing Subsidy Benefit claim included:

- agreeing standard rates, such as for allowances and benefit incomes, to the DWP Circular communicating the value of each rate for the year;
- sample testing of benefit claims to confirm that the entitlement had been correctly calculated and was supported by appropriate evidence;
- undertaking an analytical review of the claim form considering year-on-year variances and key ratios;
- confirming that the subsidy claim had been prepared using the correct benefits system version; and
- completing testing in relation to modified schemes payments, uncashed cheques and verifying the accurate completion of the claim form.

Following the completion of our work, the claim was unqualified.

Our work on the other grant assurance engagements also resulted in an unqualified report.

No adjustments were necessary to either the Council's grants and returns as a result of our certification work this year.

Recommendations

We have not made any recommendations as a result of our work and there were no recommendations in the previous year.

Fees (Page 6)

Our fee for certifying the Council's 2016/17 Housing Benefit Subsidy grant was £8,022, which is in line with the indicative fee set by PSAA.

Our fees for the other 'assurance' engagement was subject to agreement directly with the Council and was £3,000.

Summary of reporting outcomes



Overall, we carried out work on two grants and returns. Both were unqualified with no amendment

Detailed comments are provided overleaf.

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Detailed below is a summary of the reporting outcomes from our work on the Council’s 2016/17 grants and returns, showing where either audit amendments were made as a result of our work or where we had to qualify our audit certificate or assurance report.

A qualification means that issues were identified concerning the Council’s compliance with a scheme’s requirements that could not be resolved through adjustment. In these circumstances, it is likely that the relevant grant paying body will require further information from the Council to satisfy itself that the full amounts of grant claimed are appropriate.

	Comments overleaf	Qualified	Significant adjustment	Minor adjustment	Unqualified
Public Sector Audit Appointments regime					
— Housing Benefit Subsidy	1				
Other grant/return engagements					
— Pooling of Housing Capital Receipts	2				

Summary of certification work outcomes

This table summarises the key issues behind each of the adjustments or qualifications that were identified on the previous page.

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Ref	Summary observations	Amendment
1	<p>Housing Benefit Subsidy</p> <p>No errors were identified by our initial testing. However, due to issues identified in the previous year it was necessary to perform testing in relation to self employed income.</p> <p>The Authority performed 100% testing on the self employed income cases and no errors were noted.</p>	£0
2	<p>Housing Pooling Return</p> <p>Our work in relation to the certification of this return did not identify any issues.</p>	£0

Fees

Our fees for the Housing Benefit Subsidy claim are set by Public Sector Audit Appointments.

Our fees for other assurance engagements on grants/returns are agreed directly with the Council.

The overall fees we charged for carrying out all our work on grants/returns in 2016/17 was £11,022.

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Public Sector Audit Appointments certification arrangements

Public Sector Audit Appointments set an indicative fee for our work on the Council's Housing Benefit Subsidy claim in 2016/17 of £8,022. Our actual fee was the same as the indicative fee, and this compares to the 2015/16 fee for this claim of £5,525.

Grants subject to other engagements

The fees for our work on other grants/returns are agreed directly with the Council. Our fees for 2016/17 were in line with those in 2015/16.

Breakdown of fees for grants and returns work

Breakdown of fee by grant/return		
	2016/17 (£)	2015/16 (£)
Housing Benefit Subsidy claim	£8,022	£5,525
Pooling of Housing Capital Receipts	£3,000	£3,000
Total fee	£11,022	£8,525



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RISK MANAGEMENT

1.0 Purpose of Report

1.1 To update members of the Committee of the Council’s Risk Management progress and to advise re the status of Strategic Risks for the council.

2.0 Risk Management

2.1 The Risk Management Group continues to meet on a quarterly basis. Members of this group are provided with an overview re the current situation/performance of strategic and operational risks. Emerging/ongoing risks are also discussed.

2.2 The Risk Management Policy is currently up to date with a review due in April 2018.

2.3 Internal audit are currently undertaking a programmed audit of the council’s risk management systems. This is due to be completed before the end of this financial year.

3.0 Strategic Risks

3.1 Strategic risks are those significant risks faced by the Council that have the potential to halt or interfere with its ability to achieve its priorities and deliver its statutory duties.

3.2 Strategic risks are determined at CMT level during a facilitated workshop and should support the objectives and direction of the Council. They are concerned with how the whole organisation is positioned in relation to achieving its aims and are affected by numerous internal and external factors, some of which will be out of the control of the Council for example economic downturn.

3.3 Action plans are produced for each of the individual strategic risks. The purpose of actions plans is to control or mitigate risks to an acceptable risk level (i.e. target risk) determined appropriate by CMT. Action plans are reviewed quarterly and recorded/managed within covalent.

3.4 The next annual strategic risk review is to be undertaken late spring/early summer 2018. A date for this review is yet to be agreed. All current strategic risk will be reviewed by CMT at this workshop to determine if they remain appropriate and, if appropriate, define new risk scores. Consideration will also be given to possible new/emerging risks that may require inclusion on the risk register.

3.5 A quarterly risk management assurance report continues to be provided to CMT for their consideration/information. This report provides an overview of the risks, outstanding actions and areas of concern.

3.6 The Council currently has nine Strategic Risks. These are listed below.

Risk Name and Code	Risk Description
STRAT_SR001 Financial sustainability.	Effective management of finances through ongoing austerity and increasing demand on services.
STRAT_SR002	Impact on the delivery of Council services due to the failure of major

Major projects.	projects e.g. new headquarters or investment and borrowing decisions. A major project being any project that can cause significant financial, legal, reputational or compliance issues or prevent the Council from delivering a strategic priority or key objective.
STRAT_SR003 Facilitating growth.	The inability of the Council to facilitate the market to deliver the Council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore impacting on communities and businesses.
STRAT_SR004 Supply chain failures and contract management.	Failure of key suppliers, key service providers to deliver contracted or agreed services, leading to failure to achieve Council priorities and outcomes.
STRAT_SR005 Transformational change.	Ensuring that the Council and it's workforce has the skills, ability and capacity to adequately respond to current and future organisational change meaning the Council is able to deliver its services in the most efficient and effective manner.
STRAT_SR006 Sustainable communities.	The risk of various communities within NSDC feeling excluded, disengaged or being unable to access available services and opportunities including, rural, deprived, minority and vulnerable communities and local businesses etc. NB. Services and opportunities to include health and wellbeing, early intervention and prevention.
STRAT_SR007 Continuity of service (Civil Contingency & Emergency).	NSDC's ability to effectively respond to a major emergency and maintain that response without affecting essential day to day service delivery. The risk is to both NSDC as a business continuity issue and to our at risk communities.
STRAT_SR008 Corporate governance.	The risk of failures in systems of governance within the Council, within Council owned/influenced organisations and partnerships and other collaboration arrangements, leading to governance issues, fraud and corruption, failures in management systems, poor policy and decision making.
STRAT_SR009 Data management and security.	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of Information Governance Legislation

3.5 Ownership of each risk is assigned to a relevant director(s) who have, with the assistance of business managers, developed action plans to manage, mitigate or reduce the risk accordingly. However, as the very nature of strategic risks are complex and influenced by many outside factors/controls, some actions can be very long term and the ability to reduce the risk level may be limited. Having risks that are either shown as high risk or above target risk level does not necessarily mean that the Council is not actively managing the risk.

3.6 Beneath the strategic risks, the Council have operational risks for all business units. These have been developed between business managers and the Risk and Safety Management Officer and have been recorded on Covalent for management purposes. Both managers and directors have

responsibility to manage/monitor these and are required to formally review them at least quarterly.

3.7 Current Strategic Risk Levels

3.7.1 As required by the Council’s Risk Management Policy, all strategic risks continue to be formally reviewed quarterly by risk owners and assignees. This review also requires that the current risk score is reviewed.

All strategic risks are given a target risk score. This is determined and agreed by CMT annually during the facilitated strategic risk workshop.

3.7.2 The table below illustrates the current strategic risk profile.

Likelihood	High				
	Significant		7,2	3	
	Low		6	1,4,5,8,9	
	Very Low				
		Negligible	Marginal	Critical	Catastrophic
	Impact				

Key

	High risk
	Medium risk
	Low risk

3.7.3 The table below illustrates changes in risk scores during the previous 12 months.

Risk name and code	Direction of travel	Details
STRAT_SR001 Financial sustainability.	↓	Likelihood has reduced from 3 to 2. This has reduced the overall risk from red to amber.
STRAT_SR002 Major projects.	↓	Impact has reduced from 3 to 2. This has reduced the overall risk from red to amber.
STRAT_SR003 Facilitating growth.	=	No change
STRAT_SR004 Supply chain failures and contract management.	=	No change
STRAT_SR005 Transformational change.	=	No change
STRAT_SR006 Sustainable communities.	=	No change
STRAT_SR007 Continuity of service (Civil Contingency & Emergency).	=	No change

STRAT_SR008 Corporate governance.	=	No change
STRAT_SR009 Data management and security.	=	No change

3.7.4 All nine Strategic Risk assessments have been appended to this report.

4.0 RECOMMENDATION

That the Committee consider this report.

Reason for Recommendations

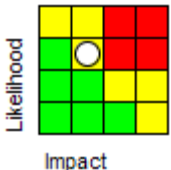
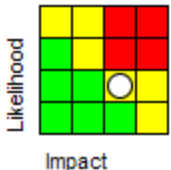
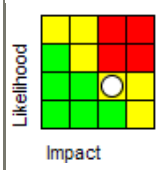
To update the Committee on the Council’s risk management approach and related assurance processes.

Background Papers

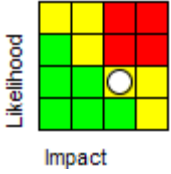
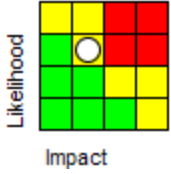
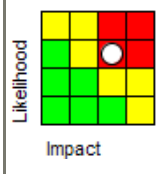
Nil.

For further information please contact Richard Bates – Safety and Risk Management Officer on ext: 5593

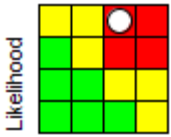
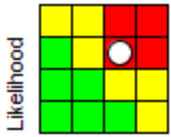
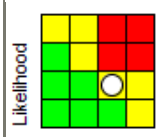
Strategic Risks

Management Action Plan	STRAT_SR001 Financial Sustainability		Risk Owner	Wilson, Nick (BM - FIN-SERV); Kohli, Sanjiv (CMT); Muter, Andrew (CMT); Lovely, Nicola (BM - FIN-SERV); Test 1 (BM - FIN-SERV)		
Description	Ineffective management of finances leading to lack of financial resilience as government funding reduces and demand increases		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			19-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	RB & Owners 02/12/16					
Vulnerability	<p>Inability to respond to significant drop in income Increased demand for services Unrealistic expectations Inability to deliver and maintain service Unable to meet objectives outlined in the strategic priorities Inability to plan long term - beyond 4 years Failure to comply with Financial Procedures resulting in works and services not appropriately procured and leading to budget overspends.</p>					
Trigger/Event	<p>Projects undertaken to mitigate funding cuts are unsuccessful in producing the necessary savings. Contractions in the provision of other public services, leading to increased expectations and demand on the district council. Reduced customers for income generating services. Service failure leading to loss of income. Competition - Local competitor seeking increased market share. Inability to compete due to financial constraints, eg. political decisions, legal decision, staff retention. Further cuts in Government funding. Unexpected increase in costs. Reduction in Business Rates received. Re-set of Business Rates in 2020 leading to loss of growth to be included in the budget. Business Rates revaluation and subsequent appeals (backdated to last revaluation). Large scale applications for mandatory relief eg. NHS. 100% Business Rates retention Poor revenue planning of new projects. Increase in demand for non-income-generating services. Changing legislation or government policy reducing grants or increasing costs (eg New Homes Bonus, Apprenticeship levy) Enterprize Zone status attracts local businesses to relocate outside of the district (eg. proposed Robin Hood line extension). Local authorities and/or elected mayors commence using business rates as competitive tools. Inability to attract businesses for future business rates growth. Global economic shocks having negative effect on Government finances and local economy. Profiling of Capital Programme. Income volatility Large number of projects underway at any one time</p>					
Impact	<p>Increased costs/lower level of service provided. Decline in outcomes eg. crime and health major issues around vulnerability. Reduced capacity to maintain service delivery. Public dissatisfaction with Council performance. Failure of collaborative or joined up approaches. Failure of relationships. Loss of local services/facilities. Strategic direction of the Council changes or becomes unclear. Need to change existing policies. Loss of reputation of the Council. Service closure. Failure of one or more projects.</p>					

	<p>Negative media coverage. Loss of staff morale. Reduction in ability to invest locally. Restriction of service choices, eg. sustainable procurement. Inability to produce a balanced budget Inability to financially plan beyond 4 years. Council becomes financially unsustainable</p>
Measures in Place	<p>LEAD OFFICER - Sanjiv Kohli <u>Objective:</u> Critical success factors are maintaining and improving services whilst delivering an acceptable level of Council Tax <u>Controls:</u> Income forecasting e.g. New Homes Bonus and Business Rates and using a third party organisation to support the business rates appeals forecasting. Horizon scanning to identify long term implications. Respond to Government consultations. Well established officer budget process. Refreshed Medium Term Financial Plan including restructure of reserves Council Approved Capital Programme. Ongoing work on Council's objectives - Corporate Plan Revised Major income streams monitored by CMT. SLA's with voluntary sector providers. Regular assessment of all available resources by S151 officer. Annual review of Budgets and Medium Term Financial Plan Financial comments added to reports Financial advice provided to management and Members Financial strategies and budget reviewed through Policy Committee annually - Budget Strategy report to Policy Committee and presentations to Committee Chairman and opposition Leader. Member communication to manage expectations and inform future financial planning. Collaboration agreement in place between NSDC, Rushcliffe BC, Gedling BC. Active4Today set up to deliver leisure services with a reducing management fee. Devolution to Newark and other areas. Monitoring of Funding agreements. Consultation & Communication plan to manage political and public expectations. Further consideration of alternative means of service provision underway. Regular review of Treasury issues to improve rate of return on investments. Exercising caution over future financing in short to medium term. Service and process improvements to generate efficiencies. Review of empty business properties to identify missed income opportunities. Business Rates – keeping appeals provision under continual informal review. Business Rates - Annual formal review of appeals provision to Government Consideration of methods to grow Business Rates base Approved Efficiency Statement meaning Revenue Support Grant fixed over the forthcoming years Analysis of Government policy announcements on local authority funding within Autumn Statement, Budget and provisional settlement Nottinghamshire Business rates Pool kept under review. Ongoing review of projects Approved Commercial Strategy to support objectives set out in the MTFP Approved Investment Plan to support the objectives set out in the Commercial Strategy Prepare business case Corporate Projects Development Team established to identify business opportunities in service areas. Prepare Business case for wholly owned development company and present to Policy and Finance Committee for approval.</p>
Further control/actions required	<p>The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.</p>
Linked Actions	Progress Bar
RP-SR001 Financial Sustainability - Risk Action Plan	<input type="text" value="42%"/>
Linked PIs	Status

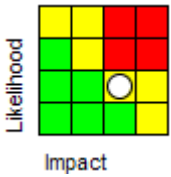
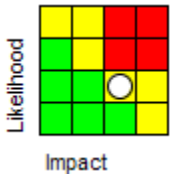
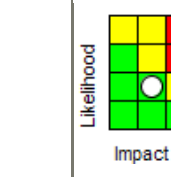
Management Action Plan	STRAT_SR002 Major Projects		Risk Owner	Wilson, Nick (BM - FIN-SERV); Cole, Kirsty (CMT); Finch, Matthew (CMT); Kohli, Sanjiv (CMT); Muter, Andrew (CMT); Mellors, Tracey 1 Admin; Lovely, Nicola x(BM - FIN -SERV); Test 1 x(BM - FIN -SERV)		
Description	Impact on the delivery of Council services due to the failure of major projects. A major project being any project that can cause significant financial, legal, reputational or compliance issues or prevent the Council from delivering a strategic priority or key objective.		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			06-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	RB 13/03/17					
Vulnerability	<p>Projects overdue, over budget, undelivered or project creep.</p> <p>Staffing issues.</p> <p>Financial management.</p> <p>Reputational damage.</p> <p>Managing expectations of the stakeholders and the public.</p> <p>Project is unsuccessful.</p> <p>Community assets/services are lost eg. Devolution Project</p>					
Trigger/Event	<p>Significant changes in interest rates.</p> <p>Investment arising from "prosperity" agenda which hasn't already been identified eg. land/property.</p> <p>Delays in decision making process.</p> <p>Loss of key personnel leading to inability to drive project.</p> <p>Procurement failure/legal challenge if we follow an open procurement route.</p> <p>Political change.</p> <p>Partnership/Contractual failures.</p> <p>Change in NSDC/Community needs in relation to longer term projects.</p> <p>Failure to adequately manage expectations politically and in the Community.</p> <p>Inadequate Governance arrangements.</p> <p>Failure to produce appropriate and adequate specifications.</p> <p>Adverse/severe weather disrupting building.</p> <p>Asset sales do not materialise.</p> <p>Capacity to deliver and co-ordinate a range of major projects to time and budget.</p> <p>Lack of availability of finance.</p> <p>Changing capital priorities.</p> <p>Changing Government policy.</p>					
Impact	<p>May need to borrow further monies - Long term impact of level of debt.</p> <p>Reduced flexibility and the impact on the delivery of future priorities depends on if we have the ability to borrow more or if we can afford to borrow more.</p> <p>Loss of a service.</p> <p>Increased costs affecting the ability to deliver revenue budget savings and impacting on the delivery of other services.</p> <p>External intervention - the Government may stop us from borrowing/investing may affect project delivery eg. HRA strategy.</p> <p>Delays or failures in project delivery and potential increase in cost.</p> <p>The Project delivered is not within specification/scope or does not meet the required needs.</p> <p>Possible impact on medium term financial plan.</p> <p>Loss of public/community support & engagement.</p> <p>Savings may not materialise from projects.</p> <p>Potential reputational damage.</p> <p>Poor staff morale</p> <p>Community/organisations being required to take on assets may not materialise or may fail.</p> <p>Service/assets of the Council may be lost.</p>					

Measures in Place	<p>LEAD OFFICER - Sanjiv Kohli Robust project management procedures in place Project Boards for life of projects Robust individual project plans and risk assessments for major projects Member groups where applicable Regular monitoring and reporting of progress throughout the committee structure Trained project managers Buy in expertise as required Appropriate governance arrangements (See SR008) MTFP Annual Treasury strategy covering next three years plus mid year review Treasury estimates covering next five years, treasury management reports taken to A&A Committee (ALSO UNDER SR001) Development of a Consultation & Communication Strategy to help manage Member and public expectations on future service levels/delivery. Resource Plan for Major Projects Every major project is subject to a comprehensive internal audit part way through its delivery. New Council priorities agreed by Council, 12 July 2016 Monitor project identification and revenue impact from new Strategic Priorities. Review guidance on contract management by 30 June 2016 - JK Investigate provision for project management training. Ensure monthly review of Major Projects Risk - to be added to the monthly CMT meeting Identify major projects that require overview being visible to CMT - Develop Register SR001 owners to review the major projects supplied by BM's and develop list of risks seen as critical to the Council taken from the initial register CMT to amend and approve the list of Critical Major Projects Commercialisation and Investment Strategies created to guide decision making around potential projects Strategy Development Manager Post Recruited to</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
RP-SR002 Major Projects - Risk Action Plan	0%
Linked PIs	Status

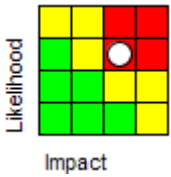
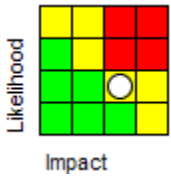
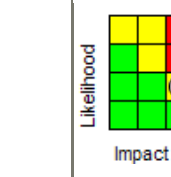
Management Action Plan	STRAT_SR003 Facilitating and enabling growth		Risk Owner	Reader-Sullivan, Julie (BM - ECO-GRO); Deputy, Russell, Martin (BM - GROWTH&R); Lamb, Matt (BM - GROWTH&R); Norton, Matthew (BM - PLAN-P); Main, Rob (BM - STRAT-HG); Cole, Kirsty (CMT); Statham, Andy x (CMT)		
Description	The inability of the Council to facilitate and enable the market to deliver the Council's growth agenda. This failure may reduce investment in infrastructure, inward investment, job opportunities, new housing and commercial development therefore impacting on communities and businesses.		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			21-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	RB & Owners 13/03/17					
Vulnerability	<p>Inability of the market to deliver Growth agenda including housing, infrastructure, commercial, health and leisure requirements affecting the investment potential. Low confidence in house building sector. Low growth locally. No investment due to the economic climate locally and nationally. Limited development for infrastructure/technology for rural locations. Change in National policy and known/unintended consequences. Lack of capacity/funding to facilitate local growth (support and infrastructure). Skill set shortages in some sectors. Demographic change.</p>					
Trigger/Event	<p>Delay of delivery of project due to investors/financial climate. Impact of Government forecasts and predictions. Changing political focus or direction at local, county and national level. Impact of Community Infrastructure Levy on future development. Non availability of funding streams. Change in Bank of England interest rates which reduce appetite to invest. Fluctuations in inflation. Reducing level of Grant settlement. Land availability The consequences of service reductions introduced by other public sector providers. Planning objections delaying progress. Planning consents not started. Poor or non-delivery of infrastructure. Non-delivery by housebuilders. Climatic events severe weather events. Impact of closure of a major local employer. Loss of significant business resulting in loss of confidence in investing in local area - also knock on effect to suppliers and supportive businesses. Loss of key train and bus services. Brexit uncertainty. New Homes Bonus consultation and policy framework. Legislation eg. privatisation of planning. Combined Authority/local government reorganisation/devolution. Insufficient capacity to support growth. Supply chain failures. Uncertainty over proposals for 100% retention of business rates. Developments not viable without reduction in community benefits.</p>					
Impact	<p>Insufficient homes being built in the district to meet demand, including affordable housing Infrastructure not provided. Jobs not created (loss of employment/jobs not created).</p>					

	<p>Failure to hit Growth aspirations and the consequential loss of income. Growing inability of NSDC to respond to increased need or support in the community. Reduced Council Income from fees and charges. Reduced funding/income will constrict service delivery. Increased homelessness. Increased unemployment. Lack of external investment in the District Insufficient businesses / roles to support expansion of community. Sustainability of community not improved. Loss of control of planned development. Pressure for growth leading to sacrifice of transport, healthcare facilities, schools, etc. Increase in grant funding paid to Newark Town Council for devolution. Deepening skills shortages exacerbated by full employment in localities and poor public transport.</p>
<p>Measures in Place</p>	<p>LEAD OFFICER - Matt Lamb Reviewing Core Strategy and Allocations DPDs to ensure they continue to be appropriate and facilitate growth in housing and employment over the coming years. Regular liaison with strategic site owners. Land south of Newark publically funded by £2.5m from NSDC and £7m from LEP. Work onsite started and as at 13 June 2016 £1m received from the LEP. Phase one open, drawdown of £6m Further funding being sought. Ongoing discussions with partners regarding support for strategic infrastructure. The Council's Think BIG loan scheme is operating and 15 loans have been made, with further loans being considered. Partnership with LEP and local businesses growing and improving. Monitoring of key economic data is undertaken regularly and some additional updated research to be undertaken in Jan 2018 by intern and NTU Partnership arrangements with local colleges and universities eg. memorandum of understanding with Nottingham Trent University. Nottinghamshire Economic Prosperity Committee. Engaging with Marketing Nottinghamshire - JRS working with Annette Thornley so contact established. Prosperity Agenda is the main priority for the council including funding scheme for new business development (Starter units in the Newark Area) Local Investment Plan and Local Delivery Plan in place Local Housing plan and priorities in place. Working in partnership with Registered Providers, Homes and Communities Agency and other bodies to develop new build housing schemes across the district Developing the Housing Growth Strategy for additional new build Council and market housing. Revised Economic development Strategy with continued focus on Inward Investment, Business Growth, Employability & Skills, key sectors and infrastructure. Agreed with Ec Dev Committee in Nov 2017 and incorporates some social mobility issues. Identification of local NSDC Land for development. Undertake Regeneration activities currently focussed on Bridge Ward, Ollerton and Boughton & Hawtonville. Sale of Kelham Hall and relocation and construction of new Council offices will help to stimulate local economic growth. Skills Summit plus pilots for Transport and training for HGV and FLT. Education partnerships; Together for Newark and Sherwood Forest Education Partnership. Nottinghamshire Business Rates pool to be used for economic growth. Working with community groups to deliver community benefits. HRA 5 year programme to build 335 units. Ongoing officer monthly meeting to review and monitor consider all strategic sites to include Southern Relief Road issues (quarterly until 2018) Development company (housing and commercial) project plan report to P&F committee. Workshop sessions with key members. Working with Severn Trent to reduce impact of sewer project on town. Project impact updates to be provided. Working with businesses, Totally Newark, retail club and ST to monitor impact and raise concerns. Shuttle bus route agreed - one way system now mid Feb to mid June 2018. Business Growth reporting system Ollerton Hall planning brief commissioned - ML Q4 ongoing officer meeting to review and monitor consider Southern Link Road issues (quarterly until 2018) - JRS Contractor appointed to deliver 5 year HRA development Programme Develop a flexible policy on exercise of discretion on business rates to support future growth. (JRS) HRA Development Programme - Delivery Partner appointed, Planning Consent for First Year Sites Inward Investment - ongoing activity, mini strategic commissioning process to review process and outcomes - JRS Regular meetings of the Ollerton Hall working party Feasibility study (Constraint study) for the development and disposal of Ollerton Hall (ml) Development Plan - Consultation on Draft Plan Amendments (MN) Development Plan - Submission of the amended Core Strategy for Independent Inspection (MN)</p>


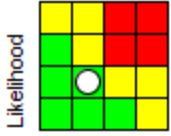
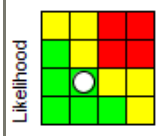
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.	
Linked Actions		Progress Bar
RP-SR003 Facilitating and enabling growth - Risk Action Plan		58%
Linked PIs		Status

Management Action Plan	STRAT_SR004 Supply Chain Failures and Contract Management		Risk Owner	King, John (A2 - PROC); Johnson, Deb (BM - CPDT); Wilson, Nick (BM - FIN-SERV); Kohli, Sanjiv (CMT); Muter, Andrew (CMT); White, Karen (CMT); Lovely, Nicola x(BM - FIN-SERV); Fest 1 x(BM - FIN-SERV)		
Description	Failure of key suppliers, key service providers to deliver contracted or agreed services or poor contract management, leading to failure to achieve Council priorities and outcomes.		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			19-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	RB, JK, TCB 19/12/. SK Email 21/12/17					
Vulnerability	<p>Inability to deliver key priorities and services. Failure to meet legal requirements. Reputational issues. Impact on delivering statutory services. Quality of the service provision may not be in line with regulatory/Council's requirements and or expectations. Resource capacity to turn around a failing contract.</p>					
Trigger/Event	<p>Partners withdrawing. Contracts fail to deliver outcomes. Funding and financial management issues e.g. loss of funding, failure of financial management, termination of contract and requirement to recommission/procure. Governance issues. Poor specification/contract design. Inadequate contract management/failure leading to failure to deliver outcomes. Legal challenge of procurement route and or contract award. Business Continuity/Emergency Planning issues occurring. Failing to consult with the relevant experts and follow appropriate advice and guidance. Litigation and regulatory action following non-compliance. Lack of/poor effective exit strategies. Poor quality of services. Insufficient provider availability. lack of corporate memory and expertise.</p>					
Impact	<p>Cost overruns, hidden costs, increased costs. Delays in delivering services - crisis management. Reputational issues and/or negative media. Reduction in quality of service delivery. Failure in service provision - performance management issues. Increase resource demand that will have an impact on capacity. Rising complaints from service users. Non compliance with legislative requirements. Data loss/privacy.</p>					
Measures in Place	<p>LEAD OFFICER - Sanjiv Kohli Robust procurement polices and procedures to include: financial assessment, performance bonds, insurance, health and safety, equalities, safeguarding and business continuity planning. Evaluation of Insurance needs. Audit. Business continuity insurance where required. Flexible procurement for energy. Ensuring appropriate Contract Management expertise is in place. Performance bonds in place for major projects where required. Parent company guarantees. The risks of major projects are also covered within the projects themselves. Annual Governance Statement which is reviewed every 6 months.</p>					

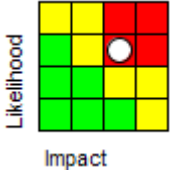
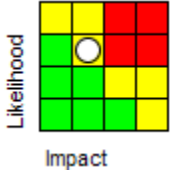
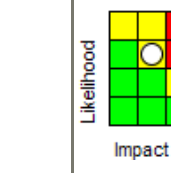
	<p>Annual assurance mapping. Revised Contract Procedure Rules (every 2 years). Time based contracts with robust exit clauses. Legal Service assess all contracts. Contract reviews. Regular contract review meetings with key suppliers eg. NSH, Active4Today, Urban&Civic, EMBC, Assurance Lincolnshire Use of intermediaries for contract expertise. CMT oversight of large contracts. Consideration of more frequent contractor checks and alerts for significant projects and escalation process eg Equifax. Develop an assurance model for contractor checks - JK Improve contract manager understanding of ongoing contract management - JK Recurring Contracts Register and Major Contracts Register (Over 500k) established. Key services and suppliers List developed Strategy Development Manager Post Recruited to SLA's in place Named contract Manager highlighted for each contract. Change control process.</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
RP-SR004 Supply Chain Failures and Contract Management - Risk Action Plan	0%
Linked PIs	Status

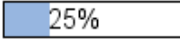
Management Action Plan	STRAT_SR005 Transformational Change		Risk Owner	Baker, Jill (BM - CUST-SERV); Parkinson, Sharon (BM - ICT); Cole, Kirsty (CMT); White, Karen (CMT); Mellors, Tracey 1 Admin		
Description	Ensuring that the Council, its Members and its workforce have the skills, resources, ability and capacity to adequately respond to current and future organisational change meaning the Council is able to deliver its services in the most efficient and effective manner.		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			06-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	RB & Owners 09/03/17					
Vulnerability	<p>Lack of appropriate skills, leadership, ability and capacity to deliver and transform services, address competing priorities and exploit new opportunities. Ensuring appropriate capacity retained within the Council to ensure that contracts are delivered and outcomes achieved. Managing and increasing range of delivery models. Change processes may stall, be lengthy, may not meet needs or fail. Not meeting council objectives and priorities. Inability to respond to the public's needs. Lack of succession/capacity to support unexpected resource change/losses. Mismatch between reduced building capacity and working patterns of workforce. New remote/lone working requirements impacting on service delivery, morale and potential health and safety issues. Governance arrangements not supporting or facilitating the change processes.</p>					
Trigger/Event	<p>Recruitment / retention issues, key staff leaving and inability to recruit appropriate skills set. Increased levels of absenteeism. Inability to succession plan effectively. Increased pressure on resources and time through change period and exploring emerging issues. Changes to terms and conditions. Government Policy changes. Poor change management. Further funding cuts required - further restructure and collaboration. Commissioning and reviews of service delivery models. Devolution. Providing services to/via an increasing range of contractors eg. Active4Today, Newark and Sherwood Homes and East Midland Building Control eg. ICT providing services to a range of external organisations under SLAs. Service failure.</p>					
Impact	<p>Increased staff stress levels. Increase in sickness absence levels. Morale reduced resulting in lower outputs. Loss of critical staff/ appropriate skills. Reduced capacity and ability to deliver. Failure to meet objectives (corporate). Service delivery failure. Increased cost/possible reduction in income. Lack of momentum and impetus in developing the change process. Unclear understanding of responsibilities. Savings not achieved. Lack of capacity to meet demand. Failure to deliver change in culture. Loss of opportunity to work differently. Reputational issues leading to difficulty in recruitment. Increase of civil and criminal claims. Safety of Employees.</p>					



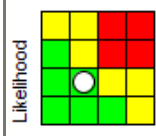
	Breakdown of strong member/officer relationships.
Measures in Place	<p>LEAD OFFICER - Kirsty Cole</p> <p>Robust risk management process in place to ensure ongoing projects and initiatives are supported. Business Managers have individual development plans to help them manage change and risk. Senior HR Officers have adopted "business partner" approach to support business managers in managing sickness absence, capability etc.</p> <p>Effective communications by way of monthly Chief's Brief, blog, improved intranet and JCC meetings to ensure staff regularly. updated of changes within the Council and two way communication/feedback, Staff Workshop sessions. Staff communication processes including roadshows, Chief's Briefing, internet updates, information emails, workshops and staff survey.</p> <p>Rolling programme of review for HR policies to ensure they remain robust and fit for purpose.</p> <p>Moving Ahead My Themes. have these been completed</p> <p>Selima system continuously upgraded to give business managers ownership / control over staff sickness Efinancials and other systems upgraded to facilitate management and practice of agile working. HR working closely with Business Managers to support organisational change.</p> <p>Declutter, Bin it days, file structure reviews.</p> <p>Partnership approach with recognised trade unions to support organisational change.</p> <p>Counselling/therapy and welfare support for staff.</p> <p>Commissioning process refined to improve staff involvement.</p> <p>Visible leadership.</p> <p>Ongoing collaborative and shared services activities.</p> <p>Training and development programme to support ongoing development of skills and competencies and BM and other staff change management such as recruitment.</p> <p>MPA programme.</p> <p>Agile working policies adopted and action plan developed.</p> <p>Timewise – emphasizing flexibility/agility of working conditions at the point of recruitment eg. Condensed hours contract.</p> <p>Apprenticeships.</p> <p>Revised pay and grading arrangements for NS17 post holders.</p> <p>Regular meetings between Chief Executive and political leaders.</p> <p>Directors aligned to committees.</p> <p>Political cabinet meeting.</p> <p>Nominated lead officers for contracts with external providers eg. Active4Today.</p> <p>Monitoring of the completion of the initial phase of the review of the performance management framework to support agile working.</p> <p>Peer Challenge undertaken and Action Plan drafted and approved, including proposed review of Governance arrangements.</p> <p>Reviewed performance management framework to support agile working.</p> <p>Councillors Commission meetings.</p> <p>GNSR partnership including Talent Management Strategy, National Graduate Development Programme, secondments and resource sharing.</p> <p>CMT to undertake review of requirements for client side roll during next off site day</p> <p>Pursue recognition through national awards where appropriate</p> <p>Take a proactive approach to engaging with media and the community in demonstrating the Council's successes</p> <p>Build the Council's reputation through promotion of our achievements.</p> <p>Nominated Champions are in place at Castle House to assist transition to new building,</p> <p>Review/update of communications strategy to ensure that it remains fit for purpose</p> <p>Review membership of / attendance by officers on outside bodies to determine relevance and review member representation on outside bodies</p> <p>Medium Term Financial Plan puts aside sufficient funds to resource transformational change</p> <p>Continue to take a pro-active approach to engaging with media and the community in demonstrating the Council's successes</p> <p>Build the Council's reputation through promotion of our achievement</p> <p>Pursue recognition through national awards where appropriate</p> <p>CPDT</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
RP-SR005 Transformational Change - Risk Action Plan	<input type="text" value="34%"/>
Linked PIs	Status

Management Action Plan	STRAT_SR006 Sustainable Communities		Risk Owner	Adams, Ben (BM - COM-SAF); Batty, Alan (BM - ENV-H); Monger, Leanne (BM - HSG&SAF); White, Karen (CMT)		
Description	<p>The risk of various communities within NSDC feeling excluded, disengaged or being unable to access available services and opportunities including, rural, deprived, minority and vulnerable communities and local businesses etc.</p> <p>NB. Services and opportunities to include health and wellbeing, early intervention and prevention.</p>		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Last Review Date	Target Date	Management	
			19-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	Reviewed 19/12/17 RB, BA, KW, Cheska, TC					
Vulnerability	<p>Disengagement between Council and Community. Breakdown within and between Communities. Disengagement between Council and partners in delivering and planning services. Austerity leading to reduced effectiveness of collaboration and partnership working. Leadership role of the Council where the community disengages from a provider.</p>					
Trigger/Event	<p>National/local incident ie Safeguarding issue, emergency/environmental event and/or civil disruption leading to cultural tensions/incidents/crime. Crime and/or radicalisation. Withdrawal/changes to services/budgets – eg. supported housing/homelessness, CAB support, policing, social care and adult services. Local decision making - eg. contentious planning decision, major breakdown within a Parish council splitting a community. Community experiencing rapid change eg. economic recession. Change in benefits systems leading to reduced household income. Increased unemployment due to economic downturn. Increase in migrant workers perception in competition for jobs, housing, welfare. Syrian resettlement programme and asylum dispersal. Post Brexit related issues.</p>					
Impact	<p>Remote risk of tension/unrest. Increase in deprivation and inequalities in health and life expectancy across different communities. Fracture and discontent within communities. Lack of community cohesion/community brought together around a common cause. Disengagement with service providers. Crime and antisocial behaviour. Reputational damage for district and Council. Financial exclusion. Increased demand for services. Strained partnership relationships. Unemployment.</p>					
Measures in Place	<p>LEAD OFFICER - Karen White</p> <ul style="list-style-type: none"> * Community Impact Assessments. * Gypsy and traveller liaison officer in place through NCC. – BA -Currently this post does not exist and the rumour I have heard is that it will not be replaced by NCC * National monitoring of all tensions through police forces - updated through local residence forums whenever necessary and actions then dealt with by Nottinghamshire local resilience forum (LRF) with rep from district councils. * Single Point of Contact for Council and police intelligence sharing. * Internal links with housing, planning, homelessness and benefits to ensure understanding of potential impact of service provision changes. * CCTV regarding day to day ongoing issues. * Continued funding and support to Sherwood and Newark Citizens Advice Bureau. 					

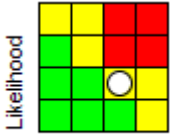
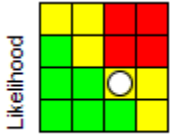
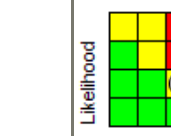
	<p>* PREVENT training. – BA - Is training once run and completed worth keeping in the RA? We are running 'Project Griffin' training which is more to do with how to respond in the event of a terrorist incident and I wouldn't link with this RA as it seems to be more about prevention rather than response(?)</p> <p>* Safeguarding: policies, procedures, training and referral mechanisms; Corporate Safeguarding Group; Safeguarding boards.</p> <p>* Anti Slavery Board - BA - This is now known as 'Modern Day Slavery' but I'm not aware of a 'board'. MDS is still discussed at the various CSP meetings and we have taken some action in N&S to target potential hot spots e.g. car washes.</p> <p>* New and Emerging communities Board - BA - Similar to above 'New and Emerging Communities' is still a 'theme' of the Safer Notts Board and we have it as a theme of the BNSCSP as a consequence.</p> <p>* Neighbourhood studies and resulting actions - BA- Is this the same as below?</p> <p>* Consider and where appropriate plan the implement action plans for the Neighbourhood Studies completed (Bridge, Hawtonville, Ollerton & Boughton) - RM - BA - Is this the same as above?</p> <p>* Equality Strategy, Equality Impact Assessments, Quarterly Equality Steering Group.</p> <p>* Greater integration and access with service providers e.g. Castle House</p> <p>* Notts Warm Homes on prescription programme.</p> <p>* Actively monitor/manage Communications: Voice, active on social media channels and networks eg. Spotted Newark</p> <p>* Community leadership role of councillors.</p> <p>* Annual Parish Conference.</p> <p>* Syrian resettlement coordination group.</p> <p>* Community cohesion event for eastern European communities - BA - I would delete this as it has not been possible to run one.</p> <p>* Notts Trent uni project looking at post Brexit Issues - BA -This has been completed and was a one off piece of work. I would therefore remove this.</p> <p>* Cultural Orientation Workshops e.g. Syrian Cultural Training.</p> <p>* Modern Day Slavery Action Day's in partnership with Newark Police, the National Crime Agency and the Gang Masters and Labour Abuse Authority – to gain intelligence on people working within car washes and nail bars - BA -This is a specific action that comes out of the themed work of the SNB and perhaps it should therefore be a milestone?</p> <p><u>SNB/CSP:</u></p> <p>* Regular meetings are held by the Community Safety Partnership where issues of vulnerability and community tensions may be raised by a variety of partner agencies in attendance. Actions to address any identified tensions are then taken.</p> <p>* Safer Notts Board and themed groups - BA suggested replacement with - Active participation in the Safer Notts Board (SNB) and its themed groups e.g. Modern Day Slavery, New and Emerging Communities.</p> <p><u>CCG/HEALTH THEMED:</u></p> <p>* Connections with health governance structures: Housing and Health Commissioning Group; Health and Wellbeing Board; Sustainable and Communities Housing/Better Care Fund Programme Board; county public health team.</p> <p>* Improved communications with Mid Notts CCG - BA -I would suggest that this is very vague and question the value of including it in this form.</p> <p>* Emerging works from the CCG meetings - Quarterly senior officer meetings, annual health forum, GP practitioners get together.</p> <p>* Develop Mid Notts CCG relationship with senior officers and members</p> <p>* CCG Quarterly senior officer meetings (LM)</p> <p>* CCG GP practitioners get together Scheduled (LM)</p> <p>* CCG Annual Health Forum (LM)</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
COM-SAF_E&D2.03 Understand our communities through Bassetlaw and Newark & Sherwood Community Safety Partnership	0%
RP-SR006 Sustainable Communities - Risk Action Plan	42%
Linked PIs	Status

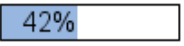
Management Action Plan	STRAT_SR007 Continuity of Service (Civil contingency/Emergency)		Risk Owner	Adams, Ben (BM - COM-SAF); White, Karen (CMT)		
Description	<p>NSDC's ability to effectively respond to a major emergency and maintain that response without affecting essential day to day service delivery.</p> <p>The risk is to both NSDC as a business continuity issue and to our at risk communities.</p>		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			11-Dec-2017	31-Mar-2018	Control Pending	
Risk Officer Review	RB & Owners 27/03/17 ***Review of the ICT BC arrangements for Partners at Castle House					
Vulnerability	<p>Limited and reducing resources to respond to an event - especially in the longer term. Reduced staff for on call/standby. Inability for NSDC to deliver on services or respond to events appropriately. Sustainability/capacity issues. Effect on communities (commercial or domestic). Large rural and elderly populations making flood defence systems and support more difficult. Our reputation with community or partners Dispersed Rural locations across the district and the extent/size of flood plains make it difficult to respond.</p>					
Trigger/Event	<p>Extreme weather event of greater frequency and severity. Unpredictable district/regional/national emergency events. Council headquarters or key facilities are damaged. Limited resource or key personnel.</p>					
Impact	<p>Drain on services and resources to provide an immediate and appropriate response. Business Continuity issues at Kelham Hall and other council facilities - centres could be flooded, staff unable to get into work - loss of resources i.e. vehicles, premises. Reputational damage due to reduced capacity to respond to emergency or maintain services Reputational damage to Newark and Sherwood as a whole - reduced growth due to issues with flooding, people and businesses moving out or not relocating to area. Financial issues due to inability to carry out other income generating services and requirement to support the communities Financial issues of being unable to claim back funding spent on assisting communities Financial implication of up front costs required during an emergency. Less likely to receive long term support to obtain government grants due to cost benefit ratio.</p>					
Measures in Place	<p>LEAD OFFICER - Karen White Emergency plans in place with county council support. Work with EA (Environment Agency) on flood resilience work has mitigated/reduced the risk in some areas. Improved monitoring systems by EA for earlier warning for floods. Raised awareness of flood risk, therefore increased understanding self help and increasing resilience. Flood stores in some communities with provisions to self help and therefore not be as reliant on council. Improved understanding of snow implications and therefore better plans in place. Council maintaining budget figure and reserve up to Belwin amount to cover emergency incidents. Work carried out with EA and national/regional/local organisations on flood resilience during community events. Memorandum of Understanding for mutual aid. Local Resilience Forum and annual risk assessment. Incident specific emergency plans in place. Signed up and access to Resilience Direct. Corporate budget available to support flood alleviation schemes. Facilitation of government grant scheme in flood affected areas to enhance future resilience. New HQ designed with potential flooding in mind. Agile working arrangements. Business Continuity Audit Review. Internal Audit of Business Continuity (Audit)</p>					

	<p>Initial roll out of Resilience Direct (OV) Load key documents onto Resilience Direct (OV) Develop emergency response management tool (BA) Equipment Audit (Emergency Stores) (BA) *****Annual review of documents, contacts and stocks for flood wardens. ***** Contributing to a multiagency approach to flood alleviation. *****updated control centre in light of move *****Review of EP Plans</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
RP-SR007 Continuity of Service (Civil Contingency/Emergency) - Risk Action Plan	
Linked PIs	Status

Management Action Plan	STRAT_SR008 Corporate Governance		Risk Owner	Wilson, Nick (BM - FIN-SERV); Cole, Kirsty (CMT); Kohli, Sanjiv (CMT); Muter, Andrew (CMT); Mellors, Tracey 1 Admin; Lovely, Nicola x(BM - FIN-SERV); Test 1 x(BM - FIN-SERV)		
Description	The risk of failures in systems of governance within the Council, within Council owned/influenced organisations and partnerships and other collaboration arrangements, leading to governance issues, fraud and corruption, failures in management systems, poor policy and decision making.		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			06-Dec-2017	31-Mar-2018	Controlled	
Risk Officer Review	RB & Owners 16/03/17					
Vulnerability	Failures in service delivery. Potential for fraud and corruption. Poor policy and decision making. Lack of clarity about decision making.					
Trigger/Event	Failure to set out governance standards, define and review policies to ensure fitness for purpose. Failure to uphold governance standards. Failure to communicate standards and policies to staff and councillors. Failure of staff and councillors to understand their governance roles and responsibilities. Failure to observe good governance. Failure to adequately manage risk or monitor performance. Fraud and corrupt practice identified. Fraud and corruption practices not identified or dealt with leading to an incident of fraud and corruption. Failure in Policy adherence (All policies). Malicious event eg. Fraud, money laundering, etc. Gaps in procedures and/or failure to manage leading to governance failure such as an incident of fraud and corruption. Reduction in capacity. Failure to adequately oversee governance standards of partnerships and other entities that the Council is involved in.					
Impact	Financial resource loss. Service delivery issues. Criminal or civil liability. Government or peer intervention. Reputational risk to the Council. Negative media coverage. Policies could be open to challenge. Excessive legal costs incurred. Poor or inadequate decision making. Poor staff morale. High staff turnover. Regulator finding fault eg. Internal Audit, External Audit, Ombudsman. Community disengagement. Capacity redirected to address failures. Loss of opportunity.					
Measures in Place	LEAD OFFICER - Kirsty Cole Code of corporate governance created, maintained and monitored in accordance with CIPFA guidance. Related third party transactions. Internal Audit work including risk based Audit Plan. Effective use of External Auditor. Audit and Accounts Committee. Training on governance issues including anti-fraud and financial regulations.					

	<p>Localised standards framework and effective arrangements for dealing with complaints overseen by Policy and Finance Committee. Internal complaints procedure. External regulators. Appropriate insurance cover including Fidelity Guarantee. Oversight of Active4Today, Newark and Sherwood Homes and East Midlands Building Control. Appropriate monitoring of performance of the third party or alternative service delivery methods. Recruitment process controls, eg. References, Immigration, CRB. Participation with National Fraud Initiative process. Gifts and hospitality - policy and register place. Corporate Governance self-assessment against the code of Corporate Governance undertaken periodically. Annual governance statement reviewed annually and reported to Audit and Accounts Committee. Section 151 officer/Monitoring officer/Head of Paid Service. Periodic review of governance by 3 statutory officers. Officer code of conduct. Officer register of interests. Combined assurance report (annual). Counter fraud training delivered. Fraud risk register reviewed and reported to members. Collaboration agreement between NSDC, Rushcliffe BC and Gedling BC. Annual internal review of Fraud Risks and internal audit check on controls. Horizon scanning at Business Manager briefings and effective communication between CMT and business managers. Peer Challenge undertaken which included a focus on governance with recommendations to review and action plan developed. Options appraisal for counter fraud and implementation of preferred option. Member induction at the start of each new Council cycle. IR35 Compliance</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
RP-SR008 Corporate Governance - Risk Action Plan	<input type="text" value="33%"/>
Linked PIs	Status

Management Action Plan	STRAT_SR009 Data Management & Security		Risk Owner	Baker, Jill (BM - CUST-SERV); Parkinson, Sharon (BM - ICT); Finch, Matthew (CMT)		
Description	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of Information Governance Legislation		Assigned To	Clipsham-Brown, Tracey 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			11-Dec-2017	31-Mar-2018	Control Pending	
Risk Officer Review	RB & Owners 11/12/17					
Vulnerability	<p>Loss of vulnerable, personal, sensitive, valuable data</p> <p>Legal action</p> <p>Reputation with partners</p> <p>Negative media coverage</p> <p>Less control over data as service delivery models become more complex</p> <p>Loss of ability to maintain a service subject to cyber attack</p>					
Trigger/Event	<p>Personal, confidential or corporately sensitive/business critical information disclosed unintentionally or through error of judgement when responding to requests for information, data breach - intentional (malicious) or unintentional.</p> <p>Theft or loss of equipment/papers/data</p> <p>Targeted cyber attack.</p> <p>Move towards Agile Working ie. greater use of mobile/remote/home working/home printing/disposal of printed data/GCSX accounts.</p> <p>Open Plan Offices, partners co-locating into Castle House, more opportunities for joint working with partners.</p> <p>Reducing resources with less capacity for processing data</p> <p>Collaborative working, sharing, outsourcing and partnership working (including external printing and hybrid mail)/involvement in other peoples' data</p> <p>Use of BYOD (Bring your own device)</p> <p>Government integration agenda</p> <p>Use of suppliers/third parties, etc</p> <p>De-commissioning Kelham Hall and other locations</p> <p>Partnership working and sharing new service locations/data sharing issues</p> <p>Partner's/contractor's/host's poor data management and information security leading to data breach/loss.</p> <p>Pending information governance legislative change.</p> <p>Devolution/change in service delivery model.</p>					
Impact	<p>Damage to reputation of the Council/trust by the public.</p> <p>Breach of Access to Information legislation bringing about financial/legal damage - imposed on the Council by the Information Commissioner and other Statutory Bodies.</p> <p>Disciplinary action taken against a member of staff and elected members if a breach is found to be deliberate/malicious.</p> <p>Operational and resource issues eg. service interruption - where focus has to be taken away from service delivery to dealing with the breach.</p> <p>Individual loss/damage to an individual where the Council inappropriately released their personal data eg. civil claims.</p> <p>Drain on resources to process and enable conformity in legislation.</p> <p>Possibility of falling foul of legislation in other areas due to the drain on resources dealing with information governance legislation changes.</p> <p>Financial impact of Information Commissioner investigation.</p> <p>Impact on Agile working - lack of ability to work remotely.</p> <p>Cyber attack leading to system downtime/damage/loss of data (Ransom Ware) and financial loss.</p> <p>Loss of provision to customers and partners eg. NSH, Active4Today, DWP, CCTV (under current arrangements) leading to disputes over SLAs and contracts.</p>					
Measures in Place	<p>LEAD OFFICER - Matt Finch</p> <p>Data protection training including a section on information security and targeted training ongoing for staff located elsewhere and forms part of the induction process.</p> <p>Guidance and training available for elected members.</p>					

	<p>Guidance on security breach procedures for Business Managers as Information Asset Owners. Specific training completed for all staff taking payments in line with new PCI-DSS Version 3 requirements. Information management framework incorporating Security Policy and Security Breach Policy. Training for ICT staff. External Audit on ICT security annually. Information Governance audit - periodic. Weekly review of ICO guidance. Following move to Castle House the Council is much more paper light Staff only have 1 linear M of storage, which reduces the amount of paper stored. Corporate drive restructure. Retention of document policy. Encryption for laptops. VASCO tokens and Google Authenticator. Quarterly security checks internally. Penetration test annually for external company - monthly scans of servers for weaknesses, monthly server updates and monthly scans of Microsoft Office and Windows. Perimeter software - eg. mailmarshall & webmarshall. Hardening test on new virtual servers. Scanning documents as part of the IDOX transfer therefore removing need for paper. Secure server room. East Midlands WARP membership - alerting networking facility regarding any breaches. Monthly updates of Adobe products. Program in place to ensure the continual maintenance & upgrade of the environment. Compliance with the governments security arrangements. Dual Factor Authentication for accessing OWA (Outlook Web Access). PSN compliant data & internet connections implemented. PCI/DSS gap analysis completed - see Corporate risk for further details. Cyber Security now standing agenda item on monthly business unit management meetings. Secure portal for Members to access the Extranet. Airwatch MDM (Mobile Device Management) implementation for mobile devices. GCSx secure email. Cryptshare for encrypting secure emails and large files for email. Information governance check on furniture that is being disposed off. Shuffle Up- Information Governance & ICT checking and signing off rooms when emptied IDS installed on the Council's firewall (x2) to improve security layer & enable the implementation of Geo Location blocking to help prevent targeted attacks from abroad. All relevant staff to have received the Information E Training rolled out and completed to staff on Information Governance Responsible Officer: J Baker, S Parkinson, A Tuplin & D Clarke Consideration of enhancements to firewall protection such as geo-location. SP Data Protection policy - JB Record retention module implemented for IDOX document management system - JB Review of targeted training for Data Protection and PCI/DSS. - JB Data Protection training for Elected Members - DC Report cyber-attacks/attempts - historic information on unsuccessful attacks is not available & we are now logging any incidents going forward. Review of policies and procedures to ensure compliance with new Payment Card Industry- Data Security Standard V3 (PCI-DSS) Responsible Officer: SP/JB/DC Users own devices cannot connect to network A gap analysis is underway to assess the compliance against ISO27001</p>
Further control/actions required	The further actions required to be undertaken for this risk (if any) are detailed within the Strategic Risk Action Plan under the Actions Module of Pentana.
Linked Actions	Progress Bar
RP-SR009 Data Management & Security - Risk Action Plan	
Linked PIs	Status

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REVIEW OF SIGNIFICANT GOVERNANCE ISSUES IN THE ANNUAL GOVERNANCE STATEMENT

1.0 Purpose of Report

- 1.1 To update members of the Audit & Accounts Committee on the significant governance issues identified in the Annual Governance Statement.

2.0 Background Information

- 2.1 At the meeting of the Audit & Accounts Committee on 26 July 2017, Members approved the Annual Governance Statement for the Council, with forms part of the Council's Statement of Accounts. To ensure that Members are able to undertake their assurance role, this report updates the Committee on the status of the significant governance issues identified within it.
- 2.2 An extract from the Annual Governance Statement showing the issues identified is attached at Appendix A.

3.0 Results of the Review

- 3.1 The issues identified are considered separately below with details of any further work undertaken.
- 3.2 Relocation of Council Headquarters – The council completed the move out of Kelham Hall into Castle House and opened to the public on time on Monday 25th September 2017. Council staff and partner organisations were fully briefed prior to their move which enabled a smooth transition and staff were fully operational the day following their move. We now have more staff working in less space and in an agile manner. The open plan design has made teams much more accessible and is improving working relationships. Since moving in, work has continued where necessary to address any minor defects to ensure the environment is clean, safe and comfortable for staff to work in and for customers to visit. A 100 day review is being conducted so that staff have the opportunity to put forward their comments and suggestions for improvements regarding the building, its operation, and the new ways of working protocols.

There are currently five partner organisations in the building and whilst the building is almost at capacity, work is ongoing to find new partners. Work is also underway to market the Civic Suite for hosting external events and meetings to generate income.

- 3.3 Organisational Change – The Moving Ahead Programme, which was a major part of the Organisational change agenda, has now been concluded. This programme included the introduction of agile working and the move to the new offices at Castle House.

A revised Medium Term Financial Plan was presented to Council on 11 July 2017 taking the Council up to 2020/21. The Commercial Strategy and Investment Plan were both adopted at the Policy and Finance Committee on the 21 September 2017.

- 3.4 Housing Development Programme – The build programme has commenced with the appointed contractor now on site at a number of locations across the District. The programme is being project managed by Newark and Sherwood Homes on behalf of the Council and a progress report was considered by the Homes and Communities Committee at its January 2018 meeting. A bid for funding for year one of the programme has been submitted to Homes England for an average of £42,000 per unit. The outcome of the bid should be known by mid February 2018, but if successful this will reduce the cost to the HRA BP from an average of £127,000 to £85,000 per unit.
- 3.5 Sports Hub – This Programme is now to be referred to as the “Community and Activity Village”. The Council has appointed the YMCA as its preferred partner to deliver a Community and Activity Village at Bowbridge Road, Newark. Legal agreements are in place with the YMCA which will secure delivery of key elements of the Community and Activity Village. S106 monies will be transferred to YMCA on the achievement of defined milestones and the transfer of S106 monies will be monitored through the Council’s Capital Programme.
- 3.6 Estate Regeneration Programme – Campbell Tickell were appointed as the Council’s consultants (following a competitive tendering exercise) to manage the project for the Council. They are working through the timetable of activities, which includes: reappraising the feasibility and viability of the project, renewing the community engagement over the proposals and getting to the point of planning approval. Informal briefings have taken place with Member representatives of each political group during January 2018 to update them on progress and discussions are ongoing with the Ministry of Homes, Communities and Local Govt and Homes England over potential funding opportunities for delivery of the scheme.
- 3.7 Partnership Working - Appropriate governance arrangements are in place between the Council and its wholly-owned leisure company, Active4Today. Governance is set out formally through a series of documents including the memorandum and articles of association, performance specification, leasing arrangements, the formal contract and the annual business plan process. Regular meetings are held to consider performance and risk and quarterly reports are presented by the Company to the Committee responsible for leisure and sports development, the Leisure and Environment Committee. All partner organisations working in Castle House formally sign a desk license agreements and these are in place for all partners currently working from the site. In addition, the council’s business manager – customer services, regularly meets the partners to discuss any issues and to look at collective performance improvements.
- 3.8 Business Continuity Arrangements - The Council’s Business continuity Plan has been updated taking into account the move to Castle House and identifying all critical areas of the Local Authority. The next step is for the Plan to be considered and approved by CMT during February 2018.
- 3.9 Counter-Fraud Arrangements – Assurance Lincolnshire were appointed in 2016 to assist the Council with proactive Counter-Fraud arrangements and have undertaken a refresh of the Fraud Risk Register in January 2017. This work is scheduled to be updated during

February 2018 and will be reported to this Committee at the next meeting. Future projects are being considered.

4.0 RECOMMENDATION

That the Committee notes the results of the review of significant governance issues as identified in the Annual Governance Statement.

Background Papers

Annual Governance Statement for 2016/17

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

Nick Wilson
Business Manager – Financial Services

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WORK PLAN

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
26 April 2017	Statement of Accounting Policies for 2016/17 accounts	Nicola Pickavance	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions for 2016/17 accounts	Nicola Pickavance	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Setting date for Statement of Accounts training session	Nicola Pickavance	
	Internal Audit Progress Report 2017/18	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Audit Plan for 2016/17 accounts	Jonathan Gorrie/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts, Value for Money arrangements and Grant claims
	Initiating the Biannual Review of the Effectiveness of the Internal Audit Function	Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Audit Committee Work Programme	Nicky Lovely	
19 June 2017	Biannual Review of the Effectiveness of the Internal Audit Function	Nicky Lovely	To consider whether the Internal Audit function is operating effectively and produce an action plan to address any required improvements

20 July 2017	Training session on Statement of Accounts	Nicola Pickavance	Ensure that the Committee has the appropriate skills to be able to review the Council's Statement of Accounts and consider the integrity of financial reporting
26 July 2017	Briefing session on the role of the Committee, and the role of Internal and External Audit	Nicky Lovely	Ensure that the Committee has the appropriate skills to perform its assurance and governance role
26 July 2017	Treasury Management Outturn Report 2016/17	Tara Beesley	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	External Audit Annual Governance Report 2016/17	Jonathan Gorrie/Helen Brookes (KPMG)	To gain assurance that the Council's Statement of Accounts are a true and fair representation of the Council's financial performance for the previous financial year and financial standing as at the Balance Sheet date, and that the Council has effective arrangements for achieving Value for Money
	Statement of Accounts 2016/17 & Annual Governance Statement	Nicky Lovely / Nicola Pickavance	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Internal Audit Progress Report 2017/18	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Internal Audit Report 2016/17	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that

			future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Results of the Review of the Assessment of Effectiveness of the Internal Audit Function	Nicky Lovely	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Report on interim arrangements for S151 Officer		Gain assurance that appropriate arrangements re financial governance are in place
	Audit Committee Work Programme	Nicky Lovely	
29 November 2017	Treasury Performance half-yearly report	Tara Beesley	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report 2017/18	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Audit Letter 2016/17	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nicky Lovely	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting	Nicky Lovely	
	Audit Committee Work Programme	Nicky Lovely	
29 November 2017	Treasury Management Training Session	Arlingclose Ltd	Ensure that the Committee has the appropriate skills to be able to review the Council's Treasury Management Strategy and performance reports
7 February 2018	Draft Treasury Strategy 2018/19	Andrew Snape	Gain assurance that risks in relation to the Council's treasury management activities are to be managed in accordance with need and the Council's risk appetite
	Draft Capital Strategy 2018/19	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals

	Internal Audit Progress Report 2017/18	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	External Certification of Grant Claims and Returns 2016/17	Jonathan Gorrie/Helen Brookes (KPMG)	Gain assurance that claims and returns have been managed appropriately,
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Review of significant internal control issues highlighted in the Annual Governance Statement	Nick Wilson	Gain assurance that the Council is making progress on any governance issues that were raised in the AGS
	Draft Annual Internal Audit Plan 2018/19	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
25 April 2018	Statement of Accounting Policies	Andrew Snape	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	IAS19 Pension Assumptions	Andrew Snape	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Property, Plant and Equipment Valuation Assumptions	Andrew Snape	Gain assurance that the assumptions used by the Council's valuers to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Internal Audit Progress Report 2017/18	Lucy Pledge/John Sketchley (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	External Audit Plan for 2017/18 Accounts	Jonathan Gorrie/Helen Brookes (KPMG)	Ensure that an appropriate plan is in place which will provide assurance on the

			Council's Statement of Accounts, Value for Money arrangements and Grant claims
	Fraud Risk Assessment	Nick Wilson	Gain assurance that the Council understands its fraud risks and that actions are put in place to address them
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	

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