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Friday, 12 April 2019

Chairman: Councillor Mrs S Michael

Members of the Committee:

**Councillor B Crowe
Councillor Mrs G Dawn
Councillor P Handley
Councillor B Wells**

There will be a Combined Assurance report briefing for Members only prior to the meeting, at 9:30 am.

MEETING: Audit & Accounts Committee

DATE: Wednesday, 24 April 2019 at 10.00 am

**VENUE: F1,2 &3, Castle House, Great North Road,
Newark, Notts, NG24 1BY**

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as overleaf.

If you have any queries please contact Helen Bayne on Helen.Bayne@newark-sherwooddc.gov.uk.

Any questions relating to the agenda items should be submitted to Nick Wilson- Business Manager - Financial Services, at least 24 hours prior to the meeting in order that a full response can be provided.

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	
4. Minutes of the Previous Meeting	4 - 7
To consider the minutes from the meeting on 6 February 2019	
5. Statement of Accounting Policies	8 - 24
6. IAS19 Pension Assumptions	25 - 48
7. Property, Plant and Equipment Valuation Assumptions	49 - 50
Appendix A is to follow, or to be tabled at the meeting.	
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Appendix A is to follow, or to be tabled at the meeting.	
10. Risk Management report	72 - 105
11. Counter-Fraud Activity Report	106 - 108
12. Fraud Risk Assessment	109 - 139
13. Audit Committee Work Programme	140 - 143
14. Exclusion of the Press and Public	
To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 1, 2, 3 and 7 of part 1 of Schedule 12A of the Act.	
15. Date of Next Meeting	

Wednesday 24 July 2019

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 6 February 2019 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor B Crowe, Councillor P Handley and Councillor D Payne

APOLOGIES FOR Councillor B Wells

ABSENCE:

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

Councillor D. Payne declared a personal interest in agenda item 9- Internal Audit Progress Report, as he was on the Board of the Trustees of the Gilstrap Charity, and also a member of the Mansfield Joint Crematorium Committee.

68 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

69 MINUTES OF THE PREVIOUS MEETING

AGREED that the Minutes of the meeting held on 28 November 2018 be approved as a correct record and signed by the Chairman.

70 DRAFT TREASURY STRATEGY 2019/20

The Committee considered the draft Treasury Strategy 2019/20, which incorporated the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance. The Committee considered the Treasury Strategy in detail, noting the requirement to borrow £25 million over the period, as the Council's usable reserves, which had previously provided borrowing capacity would be allocated to other projects. Borrowing would be required to ensure the Council maintained its reserves levels.

The Committee noted the Borrowing Strategy, the limits surrounding borrowing and investments, the Counterparties list and investment limits.

AGREED (unanimously) That the Committee supports each of the following key elements and recommends these to Full Council on 7th March 2019:

1. The Treasury Management Strategy 2019/20, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A to the report);
2. The Treasury Prudential Indicators and Limits, contained within Appendix A; and
3. The Authorised Limit Treasury Prudential Indicator contained within Appendix A.

71 CAPITAL STRATEGY 2019/20

The Assistant Business Manager- Financial Services presented the Capital Strategy 2019/20, incorporating the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance. The Capital Strategy outlined the principles and framework that shaped the Council's capital decisions. The principal aim was to deliver a programme of capital investment that contributed to the achievement of the Council's priorities and objectives as set out in the Corporate Plan.

The Committee noted the prudential indicators and capital funding. The Assistant Business Manager explained that there may be some variations before the Strategy was considered by Full Council, as there were a couple of projects yet to include.

AGREED (unanimously) That the Committee supports each of the following key elements and recommends these to Council for the meeting on 7th March 2019:

1. The Capital Strategy 2019/20 Appendix A to the report;
2. The Capital Prudential Indicators and Limits for 2019/20, contained within Appendix A;
3. The Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix C to the report, which sets out the Council's policy on MRP; and
4. The Flexible Use of Capital Receipts Strategy, contained with Appendix D to the report.

72 INVESTMENT STRATEGY 2019/20

The Committee considered the Investment Strategy for 2019/20, meeting the requirements of statutory guidance issued by MHCLG Investment Guidance in January 2018. The Strategy covered the Council's investments and loans and had been created in line with the Councils Investment Plan 2017-2020 and the Treasury Management Strategy Statement.

The Committee considered the Councils Big Loan Fund, noting that the Council had now stopped making those loans although there were some outstanding loans. A number of the loans were at risk of being written off, and would be considered by the Economic Development Committee.

AGREED that the Committee supports each of the following key elements and recommends these to Full Council on 7th March 2019:

1. The Investment Strategy 2019/20, contained within Appendix A to the report; and
2. The Investment Prudential Indicators and Limits, contained within Appendix A.

73 CAPITAL PROGRAMME CARRY FORWARDS

The Business Manager- Financial Services presented a report detailing capital programme carry forwards, which had been requested by the Committee at their previous meeting. Members had queried whether it was appropriate to continue carrying forward such large amounts.

The Business Manager- Financial Services explained that officers held regular meetings to consider the carry forwards, but that ultimately the projects had been approved and therefore the funding had to be held for each project.

AGREED (unanimously) that the report be noted.

74 INTERNAL AUDIT PROGRESS REPORT 2018/19

The Committee considered the Internal Audit Progress report, noting that two audit reports had been issued with substantial assurance during the period, being Creditors and Assurance. The review of the Gilstrap Accounts, and the Newark Cattlemarket rent calculation had also been undertaken.

There were no high risk recommendations outstanding. Overall there were 36 recommendations remaining to be implemented of which 14 were overdue. 7 of those had not been progressed at all. The Committee also noted work in progress and that there would be a Combined Assurance Report submitted to the Committee in April.

AGREED (unanimously) that the Committee considered and noted that Internal Audit Progress report.

75 EXTERNAL CERTIFICATION OF GRANT CLAIMS AND RETURNS 2017/18

The Committee considered the External Auditors Certification of Claims and Returns made in 2017/18 by KPMG. Each year an audit of the Council's grant claims and returns was carried out by the Council's external auditors. The letter for 2017/18 covered one grant claim totalling £24.95m. An unqualified opinion had been given for the audit of the Housing Benefit Subsidy grant and no adjustments were required.

AGREED (unanimously) that the report be noted.

76 REVIEW OF SIGNIFICANT INTERNAL CONTROL ISSUES HIGHLIGHTED IN THE ANNUAL GOVERNANCE STATEMENT

The Committee considered the review of the significant governance issues identified in the Annual Governance Statement, which had been approved by the Committee on 25 July 2018. Members considered the further work undertaken around the issues. Of particular note, the Committee heard that the percentage of purchase orders raised post receipt of income had increased. Officers had been reminded of protocols and financial regulations around the authorisation of goods, works and services. A further review would be undertaken later in the year.

AGREED (unanimously) that the Committee note the results of the review of significant governance issues identified in the Annual Governance Statement.

77 ANNUAL INTERNAL AUDIT PLAN 2019/20

The Committee considered the Annual Internal Audit Plan for 2019/2020, which

included 285 proposed auditing days and indicative scopes. The proposed audits were based on the risks for the authority, taken from the assurance mapping, strategic risk register, corporate priorities and also any management requests.

AGREED (Unanimously) that the Internal Audit Plan be approved.

78 AUDIT COMMITTEE WORK PROGRAMME

The Committee noted the Work Programme.

79 DATE OF NEXT MEETING

The next meeting would be on Wednesday 24 April 2019, at 10am. There would be a briefing for Members of the Committee at 9:30am.

Meeting closed at 11.14 am.

Chairman

AUDIT & ACCOUNTS COMMITTEE

24 APRIL 2019

STATEMENT OF ACCOUNTING POLICIES 2018/2019

1.0 Purpose of Report

1.1 To provide Members with updates made to the Council's accounting policies in relation to the closedown of the 2018/2019 financial year.

2.0 Introduction

2.1 Prior to the completion of the Statement of Accounts for 2018/2019 it is important that Members are given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2019.

2.2 The 2018/2019 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 (the Code) which is based on International Financial Reporting Standards (IFRS).

3.0 Updates to the Statement of Accounting Policies

3.1 The 2018/2019 Code introduces presentational amendments under *IAS 1 Presentation of Financial Statements* with regard to *IAS 7 Statement of Cash Flows* and the reporting of Debtors and Creditors. The changes do not impact on any policies.

3.2 The Policy for Financial instruments – Financial Assets has been amended in line with the Code of Practice to reflect the new requirements under IFRS 9 *Financial Instruments*. A complete set of the Accounting Policies for 2018/2019 are attached at **Appendix A**.

4.0 RECOMMENDATION

Members approve the amended Statement of Accounting Policies for 2018/2019.

Background Papers

Nil

For further information please contact Andrew Snape on extension 5532.

Sanjiv Kohli

Deputy Chief Executive/Director – Resources and S151 Officer

NOTES TO THE CORE FINANCIAL STATEMENTS

The values held within the proceeding Notes to the Accounts may vary slightly when compared to the main Statements or other Notes. This is due to amounts being rounded. It is not expected that a difference would be in excess of £2,000 in any single case.

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/2018 financial year and its position at the year-end of 31 March 2018. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2017/2018 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified firstly by the revaluation of certain categories of non-current assets, and secondly as regards the valuation of stocks. Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in IAS 8, specifically the qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandability
- Materiality

and pervasive accounting concepts:

- Accruals
- Going Concern
- Primacy of legislative requirements

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

1.3 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. The Council classifies the following as cash equivalents:

- Overdrawn balances on the Council's bank accounts. Bank overdrafts are an integral part of the Council's cash management and bank balances fluctuate on a regular basis from being positive to overdrawn.
- Short term investments with immediate call back or instant access. Any short term investment which is for a fixed term, regardless of the remaining length of that term, is accounted for as a financial instrument. Interest follows the related investment.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

1.4 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

The preparation of IFRS accounts requires the use and calculation of estimates. It also requires management to exercise its judgement in applying the use of the Council's accounting policies. The areas involved in a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results may differ from these estimates.

1.5 Charges to Revenue for Non-Current Assets

General Fund service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore

replaced by the contribution in the General Fund Balance in the form of the Minimum Revenue Provision (MRP). This charge is based on the Asset Life method of calculation as per the Councils approved MRP Policy, and will commence in the financial year after the asset becomes operational.

1.6 Council Tax and Non-Domestic Rates

The Council is a billing Council and acts as an agent collecting Council Tax and Non-Domestic Rates (NDR) on behalf of the major preceptors, including government for NDR, and as principals collecting Council Tax and NDR for itself. Billing authorities are required by statute to maintain a separate fund i.e. the Collection Fund for the collection and distribution of amounts due in respect of Council Tax and NDR. Under the legislative framework for the Collection Fund billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of Council Tax and NDR collected could be less or more than predicted. The council is part of a pool arrangement for NDR with its neighbouring Nottinghamshire councils.

Accounting for Council Tax and NDR

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of Council Tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item through the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the year-end balance in respect of Council Tax and NDR relating to the arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals.

1.7 Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements and time in lieu earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the salary rate applicable at the year end. The accrual is charged to the Surplus/Deficit on Provision of Services but is then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service or, where applicable, to the Policy and Finance line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserve Statement, appropriations are

required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post-employment Benefits

The Council fully complies with the requirements of IAS 19 Employee Benefits and recognises the cost of retirement benefits in the revenue account when employees earn them rather than when the benefits are eventually paid as pensions.

Employees of the Council are members of the Local Government Pensions Scheme, administered by Nottinghamshire County Council (the pension fund). The scheme provides defined benefits to members (retirement lump sums and pensions), which have been earned by members in the time they worked as employees of the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

- The liabilities of the pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price.
 - unquoted securities - professional estimate.
 - unitised securities - current bid price.
 - property - market value.

The change in the net pensions liability is analysed into the following components:

Service Cost comprising

- current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years - debited to the (Surplus)/Deficit on Continuing Operations in the Comprehensive Income and Expenditure Statement as part of Policy and Finance.
- net interest on the net defined benefit liability or asset i.e. net interest expense for the Council – the change during the period in the net defined benefit liability or asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period – taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments

Re-measurements comprising

- the return on plan assets – excluding amounts included in net interest on the defined benefit liability or asset – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- contributions paid to the pension fund - cash paid as employer's contributions to the pension

fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserves Statement on the General Fund Balance, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.8 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events.
- Those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.9 Financial Instruments

Financial Liabilities

A financial liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that is potentially unfavourable to the Council. The Council's financial liabilities comprise:

- long term loans from the Public Works Loan Board
- long term LOBO loans from the money market (Lender Option Borrower Option)
- short term loans from the Council's subsidiary companies and other related companies

Financial liabilities are recognised on the Balance Sheet where the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective annual interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings held by the Council this means the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited

to (Surplus)/Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account through the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, if the Council decides to make a loan to a voluntary organisation at less than market rate (soft loan). When the soft loan is made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.10 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance through the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Community Infrastructure Levy

The Council has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the Council) with appropriate planning consent. The council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects (these include transport, flood defences and schools) to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and

contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue administrative expenditure.

1.11 Heritage Assets

The Council's heritage assets are held in the Councils museum. The museum has an extensive collection comprising of art, Civil war, artefacts, clock, coins and tokens of heritage assets which are held in support of the primary objective of the Councils museum, i.e. increasing the knowledge, understanding and appreciation of the Councils history and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Councils accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. The Councils collections of heritage assets are accounted for as follows.

- Ceramics, Jewellery, Regalia, Statues, Art Collection and Samplers together with Machinery, Equipment and Furniture – these are measured at insurance valuation, based on market value, which is increased annually for inflation. As they are deemed to have indeterminate lives and a high residual value, the Council does not consider it appropriate to charge depreciation.

Heritage Assets – General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Councils general policies on impairment – see note 1.17 in this summary of significant accounting policies. The trustees of the Councils museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Councils general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1.17 in this summary of significant accounting policies).

1.12 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating

Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance through the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.13 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as investments i.e. at cost less any provision for losses.

Newark and Sherwood Homes Ltd is a wholly owned subsidiary of the Council which manages the housing stock, owned by the Council, under an arms' length arrangement and the company's accounts are consolidated with the Council's in accordance with IAS 27.

Active4Today Ltd is a wholly owned subsidiary of the Council which manages the provision of leisure services from the Council's leisure premises and its accounts are consolidated with the Council's in accordance with IAS 27.

Mansfield Crematorium has been recognised as a joint arrangement between Mansfield District Council, Ashfield District Council and Newark and Sherwood District Council. The Council accounts directly for its part of the assets, liabilities, income, expenditure and cash flows held arising from the operations of the crematorium.

Arkwood Developments Ltd is a wholly owned subsidiary of the Council and is a housing development company, their accounts are currently not significant enough to be consolidated into the Council's accounts under IAS 27.

1.14 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance through the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.15 Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Council in conjunction with other joint operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Council as a joint operator recognises:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its revenue from the sale of its share of the output arising from the joint operation
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

1.16 Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period).

The Council is not required to raise Council Tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account through the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a rent-free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve through the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve through the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

1.17 Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as property, plant and equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie repairs and maintenance) is charged as an expense when it is incurred. Expenditure under the value of £15,000 is treated as de-minimis. All capital expenditure will be depreciated in the following financial year of acquisition.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Council does not capitalise borrowing costs incurred while assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- Community Assets, Infrastructure and Assets Under Construction – measured at historical cost
- Other Land and Buildings, Vehicles, Plant and Equipment – fair value or, where there is no market based evidence of fair value, depreciated historical cost

Valuation

Assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS). Non-current assets are classified into the groupings required by the CIPFA Code of Practice on Local Council Accounting.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Community Assets, Infrastructure Assets and Assets Under Construction are held at historical cost and are not revalued. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all property, plant and equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

Asset	Depreciation Method	Useful Life in Years
Council Dwellings	Straight line allocation over the life of the property as estimated by the Valuer	35-50
Other Buildings	Straight line allocation over the life of the property as estimated by the Valuer	20-100
Vehicle, Plant and Equipment	Straight line allocation, taking into account any residual value, over their useful life as advised by a suitably qualified officer	5-10
Infrastructure	Straight line	10-50
Community Assets	Straight line	100
Surplus Assets	Straight line	10-100
Land	No depreciation charged	
Assets Under Construction	No depreciation charged	
Assets Held for Sale	No depreciation charged	
Investment Properties	No depreciation charged	

Where an asset has major components with different estimated useful lives these are depreciated separately. Land and buildings are separate assets and are accounted for separately, even when they are acquired together.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation

Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on assets held for sale.

If assets no longer meet the criteria to be classified as assets held for sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance through the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance through the Movement in Reserves Statement.

1.18 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.19 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.20 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer through the Movement in Reserves Statement from the General Fund Balance to the Capital

Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.21 Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

1.22 Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as equity shareholdings [other financial instruments as applicable] at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 – unobservable inputs for the asset or liability.

AUDIT & ACCOUNTS COMMITTEE

24 APRIL 2019

UNDERLYING PENSION ASSUMPTIONS FOR 2018/2019 STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2018/19 Statement of Accounts.

2.0 Introduction

2.1 IAS 19 - Employee Benefits is one of the financial reporting standards with which the Council must comply when producing its annual Statement of Accounts.

2.2 The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

2.3 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date.

2.4 The Council will use the calculated costs and the underlying assumptions, based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts.

2.5 A formal actuarial valuation is carried out every three years, the last being as at 31 March 2016. However this valuation is for the financial years going forward from 2018/2019, the figures produced for 31 March 2016 are estimates based on the last full actuarial valuation carried out as at 31 March 2013 rolled forward and allowing for any change in the underlying assumptions.

2.6 All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern.

2.7 The Actuary's report for 2018/2019 was received on 5th April 2019. The Actuary report is attached at appendix A.

3.0 Financial Assumptions

	2018/2019	2017/2018
Pension Increase Rate Public sector pension increases are linked to the Consumer Prices Index (CPI).	2.4%	2.3%
Salary Increase Rate Reflects the expected rate of growth in pensionable pay, allowing for increases over and above inflation, eg career progression	3.9%	3.8%
Discount Rate This allows for the effect of inflation on the liabilities in the scheme.	2.40%	2.55%

4.0 Demographic Assumptions

	2018/2019	2017/2018
Pensioner Mortality Life expectancy from age 65 years This impacts on the length of time pensions are expected to be payable <u>Retiring today</u>	Male 21.6 Female 24.4	Male 22.6 Female 25.6
<u>Retiring in 20 years</u>	Male 23.3 Female 26.2	Male 24.8 Female 27.9
Additional Assumptions; <ul style="list-style-type: none"> Members will exchange half of their commutable pension for cash at retirement; Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same. 		

5.0 Impact in Financial Statements

Assumption	Movement	Impact
Price Inflation	Decrease	Decrease in charge for cost of future pensions
	Increase	Increase in charge for cost of future pensions
Pension Increase Rate	Decrease	Decrease in liabilities
	Increase	Increase in liabilities
Salary Increase Rate	Decrease	Decrease in charge for cost of future pensions
	Increase	Increase in charge for cost of future pensions
Discount Rate	Decrease	Reduction in liabilities
	Increase	Increase in liabilities

6.0 RECOMMENDATION

Members note and approve the assumptions used in the calculation of pension figures for 2018/2019.

Background Papers

Nil

For further information please contact Andrew Snape on extension 5532.

Sanjiv Kohli
Deputy Chief Executive/Director – Resources and S151 Officer

Newark & Sherwood District Council

Nottinghamshire County Council

Pension Fund

Pension accounting disclosure as at 31 March 2019
Prepared in accordance with IAS19

Barnett Waddingham LLP

4 April 2019

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Introduction

We have been instructed by Nottinghamshire County Council, the administering authority to the Nottinghamshire County Council Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Newark & Sherwood District Council (the Employer) as at 31 March 2019. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

This report is addressed to the Employer and its advisers; in particular, this report is likely to be of relevance to the Employer's auditor.

These figures are prepared in accordance with our understanding of International Accounting Standard 19 (IAS19).

This advice complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures quoted will form the basis of the balance sheet and funding status disclosures to be made by the Employer as at 31 March 2019 in respect of its pension obligations under the LGPS. The projected pension expense calculations for the year to 31 March 2020 may be used for the purpose of any interim financial reporting during the year to 31 March 2020. However, it may subsequently be necessary to adjust these projections following the occurrence of any material events such as curtailments, settlements or the discontinuance of the Employer's participation in the Fund.

Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. We continue to participate in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided to funds.

Please note we have not made any allowance for IFRIC14 in our calculations. We would be happy to speak to the Employer or their auditor if more information is required.

IAS19 also requires the disclosure of any other employer provided pension benefits which are not paid from the Fund itself: examples include additional pensions paid on retirement under the Discretionary Payment Regulations. We have only valued such additional liabilities, which would not be covered in the formal LGPS valuation, to the extent that they have been notified to us and are as disclosed in the Valuation data section of this report.

Characteristics of defined benefit plans and associated risks

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet.

The administering authority for the Fund is Nottinghamshire County Council. The Pension Fund Committee oversees the management of the Fund whilst the day to day fund administration is undertaken by a team within the administering authority. Where appropriate some functions are delegated to the Fund's professional advisers.

As administering authority to the Fund, Nottinghamshire County Council, after consultation with the Fund Actuary and other relevant parties, is responsible for the preparation and maintenance of the Funding Strategy Statement and the Investment Strategy Statement. These should be amended when appropriate based on the Fund's performance and funding.

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2019 and will set contributions for the period from 1 April 2020 to 31 March 2023. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the Employer's withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

In general, participating in a defined benefit pension scheme means that the Employer is exposed to a number of risks:

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation; and
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

In addition, as many unrelated employers participate in the Nottinghamshire County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Valuation data

Data sources

In completing our calculations for pension accounting purposes we have used the following items of data, which we received from Nottinghamshire County Council:

- The results of the valuation as at 31 March 2016 which was carried out for funding purposes and the results of the 31 March 2018 IAS19 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 December 2018, Fund income and expenditure as noted above, and estimated market returns thereafter for the period to 31 March 2019;
- Estimated Fund income and expenditure in respect of the Employer for the period to 31 March 2019; and
- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal employer service cost.

Although some of these data items have been estimated, we do not believe that they are likely to have a material effect on the results of this report. Further, we are not aware of any material changes or events since we received the data. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

Employer membership statistics

The table below summarises the membership data, as at 31 March 2016 for members receiving funded benefits, and as at 31 March 2016 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions	Average age
		£000s	
Actives	344	8,119	47
Deferred pensioners	581	1,086	46
Pensioners	578	3,196	72
Unfunded pensioners	115	201	76

The service cost for the year ending 31 March 2019 is calculated using an estimate of the total pensionable payroll during the year. The estimated total pensionable payroll during the year is £8,885,000, as advised by the Employer. The projected service cost for the year ending 31 March 2020 has been calculated using an estimated payroll of £9,059,000, as advised by the Employer.

Scheduled contributions

The table below summarises the minimum employer contributions due from Newark & Sherwood District Council to the Fund over this inter-valuation period. The calculated cost of accrual of future benefits is 14.5% of payroll p.a. The monetary amounts are due to be paid in monthly instalments.

Minimum employer contributions due for the period beginning	1 Apr 2017	1 Apr 2018	1 Apr 2019
Percent of payroll	14.5%	14.5%	14.5%
plus monetary amount (£000s)	1,299	1,330	1,362

Newark & Sherwood District Council may pay further amounts at any time and future periodic contributions, or the timing of contributions may be adjusted on a basis approved by us.

Early retirements

We requested data on any early retirements in respect of the Employer from the administering authority for the year ending 31 March 2019.

We have been notified of two new early retirements during the year which were not allowed for at the previous accounting date. The total annual pension that came into payment was £48,100.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 10%. The actual return on Fund assets over the year may be different.

The estimated asset allocation for Newark & Sherwood District Council as at 31 March 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	51,339	60%	51,544	66%
Gilts	2,454	3%	1,796	2%
Other bonds	8,502	10%	9,157	12%
Property	13,286	16%	9,847	13%
Cash	2,573	3%	1,549	2%
Inflation-linked pooled fund	3,090	4%	1,939	2%
Infrastructure	4,210	5%	2,558	3%
Total	85,454	100%	78,390	100%

We have estimated the bid values where necessary. Please note that the individual percentages shown are to the nearest percentage point for each asset class and may not sum to 100%. The final asset allocation of the Fund assets as at 31 March 2019 is likely to be different from that shown due to estimation techniques.

Based on the above, the Employer's share of the assets of the Fund is approximately 2%.

We received the following information from the administering authority regarding the detail of their assets as at 31 December 2018, representing the percentages of the total Fund held in each asset class (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 Dec 2018	
		% Quoted	% Unquoted
Fixed Interest Government Securities			
	UK	2.9%	-
Corporate Bonds			
	UK	9.5%	-
	Overseas	0.4%	-
Equities			
	UK	23.2%	0.1%
	Overseas	34.2%	-
Property			
	All	-	15.5%
Others			
	Private Equity	-	2.5%
	Infrastructure	-	4.9%
	Inflation Linked	-	3.6%
	Cash/Temporary Investments	-	3.0%
Total		70.3%	29.7%

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the administering authority is contacted in the first instance. Please note that as above, no adjustments for presentational purposes have been made to the percentages shown.

Actuarial methods and assumptions

Valuation approach

Valuation of the Employer's liabilities

To assess the value of the Employer's liabilities at 31 March 2019, we have rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2016, using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the Fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

Valuation of the Employer's assets

To calculate the asset share we have rolled forward the assets allocated to the Employer at 31 March 2016 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and its employees.

The Employer currently participates in the Newark & Sherwood District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2016 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2019 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

Guaranteed Minimum Pension (GMP) Equalisation

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found [here](#).

On 22 January 2018, the Government published the outcome to its *Indexation and equalisation of GMP in public service pension schemes* consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found [here](#).

Our valuation assumption for GMP is that the Fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

Demographic/Statistical assumptions

We have adopted a set of demographic assumptions that are consistent with those used for the most recent Fund valuation, which was carried out as at 31 March 2016. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 100% for males and 90% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a..

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term

improvement rate of 1.5% p.a. At the last accounting date, the CMI_2015 Model was adopted. The effect of updating to the most recent model is reflected in the *Change in demographic assumptions* figure in Appendix 3.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 Mar 2019	31 Mar 2018
Retiring today			
	Males	21.6	22.6
	Females	24.4	25.6
Retiring in 20 years			
	Males	23.3	24.8
	Females	26.2	27.9

We have also assumed that:

- Members will exchange half of their commutable pension for cash at retirement;
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

The financial assumptions used to calculate the results are as follows:

Assumptions as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	% p.a.	% p.a.	% p.a.
Discount rate	2.40%	2.55%	2.70%
Pension increases	2.40%	2.30%	2.70%
Salary increases	3.90%	3.80%	4.20%

These assumptions are set with reference to market conditions at 31 March 2019.

Our estimate of the Employer's past service liability duration is 19 years.

An estimate of the Employer's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.4% p.a. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts and is consistent with the approach used at the previous accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

Past service costs/gains

Past service costs/gains arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost.

We are not aware of any additional benefits which were granted over the year ending 31 March 2019.

Curtailments

We have calculated the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement. The Employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we have only calculated the cost of curtailments which affect the Employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Over the year, we understand that two former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £29,000. This figure has been included within the service cost in the statement of profit or loss.

Settlements

We are not aware of any liabilities being settled at a cost materially different to the accounting reserve during the year.

Results and disclosures

We estimate that the value of the net liability as at 31 March 2019 is a liability of £63,682,000.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2019;
- Appendix 2 sets out the Statement of profit and loss for the year ended 31 March 2019;
- Appendix 3 details a reconciliation of assets and liabilities during the year;
- Appendix 4 shows a sensitivity analysis on the major assumptions;
- Appendix 5 shows the Re-measurements in other comprehensive income for the year;
- Appendix 6 contains our estimates of the projected profit and loss account costs for the year ending 31 March 2020. Please note that no allowance has been made for the costs of any early retirements or augmentations which may occur over the year and whose additional capitalised costs would be included in the value of liabilities. It is only an estimate so actual experience over the year is likely to differ. We have not provided balance sheet projections on the basis that they will depend upon market conditions and the asset value of the Fund at the end of the following year.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.



Barry McKay FFA
Associate

Appendix 1 Statement of financial position as at 31 March 2019

Net pension asset as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	£000s	£000s	£000s
Present value of the defined benefit obligation	146,262	144,173	146,163
Fair value of Fund assets (bid value)	85,454	78,390	77,461
Deficit / (Surplus)	60,808	65,783	68,702
Present value of unfunded obligation	2,874	3,053	3,224
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	63,682	68,836	71,926

Appendix 2 Statement of profit and loss for the year to 31 March 2019

The amounts recognised in the profit and loss statement are:	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Service cost	3,325	3,461
Net interest on the defined liability (asset)	1,720	1,906
Administration expenses	29	30
Total loss (profit)	5,074	5,397

Appendix 3 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Opening defined benefit obligation	147,226	149,387
Current service cost	3,296	3,397
Interest cost	3,710	3,983
Change in financial assumptions	6,734	(5,790)
Change in demographic assumptions	(8,325)	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(3,946)	(4,203)
Past service costs, including curtailments	29	64
Contributions by Scheme participants and other employers	586	567
Unfunded pension payments	(174)	(179)
Closing defined benefit obligation	149,136	147,226

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Opening fair value of Fund assets	78,390	77,461
Interest on assets	1,990	2,077
Return on assets less interest	5,832	(16)
Other actuarial gains/(losses)	-	-
Administration expenses	(29)	(30)
Contributions by employer including unfunded	2,805	2,713
Contributions by Scheme participants and other employers	586	567
Estimated benefits paid plus unfunded net of transfers in	(4,120)	(4,382)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	85,454	78,390

The total return on the fund assets for the year to 31 March 2019 is £7,822,000.

Appendix 4 Sensitivity analysis

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	146,422	149,136	151,903
Projected service cost	3,275	3,356	3,439
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	149,385	149,136	148,889
Projected service cost	3,356	3,356	3,356
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	151,651	149,136	146,666
Projected service cost	3,439	3,356	3,275
Adjustment to life expectancy assumptions	+1 Year	None	- 1 Year
Present value of total obligation	154,843	149,136	143,646
Projected service cost	3,463	3,356	3,252

Appendix 5 Re-measurements in other comprehensive income

Remeasurement of the net assets / (defined liability)	Year to	Year to
	31 Mar 2019	31 Mar 2018
	£000s	£000s
Return on Fund assets in excess of interest	5,832	(16)
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(6,734)	5,790
Change in demographic assumptions	8,325	-
Experience gain/(loss) on defined benefit obligation	-	-
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	7,423	5,774

Appendix 6 Projected pension expense for the year to 31 March 2020

Projections for the year to 31 March 2020	Year to 31 Mar 2020 £000s
Service cost	3,356
Net interest on the defined liability (asset)	1,494
Administration expenses	32
Total loss (profit)	4,882
Employer contributions	2,675

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2019. These projections are based on the assumptions as at 31 March 2019, as described in the main body of this report.

AUDIT & ACCOUNTS COMMITTEE

24 APRIL 2019

UNDERLYING VALUATION ASSUMPTIONS FOR 2018/2019 STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To provide Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2018/19 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment).

2.0 Introduction

2.1 IAS 16 – Property, Plant and Equipment is one of the financial reporting standards with which the Council must comply with when producing its annual Statement of Accounts.

2.2 IAS 16 outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost and is then subsequently measured using a revaluation model. Under the revaluation model, the assets are included in the Balance Sheet at current value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors (RICS).

2.3 Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum once every five years.

2.4 The list of assets below is what has been revalued during 2018/19.

43 Garage sites at various locations;

Newark Beacon;

Buttermarket;

Rainworth Village Hall;

Hawtonville Community Centre;

Fernwood Community Centre;

Bridge Community Centre;

Newark Livestock Market; and

All Council Dwellings.

2.5 The Council's dwelling assets are revalued every year due to the volatility and the group value of the assets nature. Each financial year a desktop review will be undertaken to account for the changes in the valuations, however once every five years a full revaluation will take place on a beacon basis. Financial year 2018/19 is a desktop review as the last full revaluation took place in 2017/18.

2.6 In previous financial years the valuation certificates have been validated and approved by external consultants, which is an expense to the Council. However, during 2018/19 and in consultation with our external auditors (Mazars), it was established this can now be completed in-house by the Councils Asset Management team due to their experience and qualifications. Their valuations report, including the assumptions, is at **Appendix A**.

3.0 RECOMMENDATION

Members note and approve the assumptions used in the calculation of asset valuation figures for 2018/2019.

Background Papers

Nil

For further information please contact Andrew Snape on extension 5532.

Sanjiv Kohli

Deputy Chief Executive/Director – Resources and S151 Officer

AUDIT AND ACCOUNTS COMMITTEE
24th APRIL 2019

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 31 March 2019.

2.0 Introduction

The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2018/19 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

Internal Audit Progress Report



Newark and Sherwood District Council – March 2019



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Assurance Definitions
Limited Assurance Report Summary
Details of Overdue Actions
2018/19 Audit Plan to Date

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This report has been prepared solely for the use of Members and Management of Newark and Sherwood District Council. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

The matters raised in this report are only those that came to our attention during the course of our work – there may be weaknesses in governance, risk management and the system of internal control that we are not aware of because they did not form part of our work programme, were excluded from the scope of individual audit engagements or were not brought to our attention. The opinion is based solely the work undertaken as part of the agreed internal audit plan.

Introduction

The purpose of this report is to:

Provide details of the audit work during the period April 2018 to 31 March 2019
Advise on progress with the 2018/19 plan
Raise any other matters that may be relevant to the Audit Committee role

Key Messages

During the period we have completed 10 assurance audits*:-

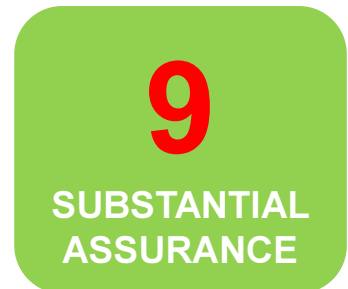
- ICT Cyber Security – Limited
- Economic Development - Substantial
- HRA Self-financing - Substantial
- Environmental Protection - Substantial
- CCTV - Substantial
- Brexit Preparation - Substantial
- Domestic Refuse - Substantial
- Street Cleansing - Substantial
- Key Control Testing - Substantial
- Payroll - Substantial

Appendix 2 provides more information on the Limited Assurance audit.

All audits within the plan have been started with 6 at draft report stage and 4 in progress.

There are no high risk recommendations outstanding. Overall there are 85 recommendations remaining to be implemented of which 28 are overdue. 21 of these have not been progressed at all. We have had some difficulties in obtaining responses from a number of auditees this year, therefore we will review the processes for collating these in future to improve response rates. Further details are included in Appendix 3.

There have been a number of issues which have affected the promptness of completing audits throughout the year with staff availability, promptness of providing information and clearing reports through the Senior Leadership Team (SLT).



*Note: The assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. The definitions for each level are shown in Appendix 1. Page 1

Assurances

Limited Assurance

ICT Cyber Security

Our current assessment of the Council's Cyber Security capability is Limited.

It is evident that a lot of the policy documents to direct the required behaviour and activities within the ICT service require refreshing and restating. We make several recommendations within this report to amend specific policies that are seen as important to the Cyber Security areas we have covered.

A general recommendation to refresh the ICT policy range has been made within the *ICT Governance* audit report undertaken as part of the 2018/19 audit programme (currently in draft).

The annual IT Health Check (ITHC) was undertaken earlier in the year by an external assessor to support the Council's annual PSN compliance. The external assessor produced a report of their findings in April 2018 which resulted in almost 400 actions being identified for the Council to remediate. As a large number of critical and high priority actions remain outstanding we have recommended that the ITHC action plan is more actively monitored by management to help ensure that suggested improvements are implemented within an acceptable timeframe.

Substantial Assurance

Economic Development

Overall the Unit is well run with very enthusiastic and skilled staff. There are objectives in place setting out the planned direction of the service and a workplan which sets out how they are planning to meet these. There is a clear indication of how the work undertaken by the unit aligns with the priorities of the Council. There are a few areas which require strengthening to improve how the unit measures and reports its effectiveness and demonstrates responsibility.

To improve its effectiveness the strategy document needs to be amended to exclude the rationale and include the period of coverage, responsibility and requirements for review. An updated Business Plan and Work Plan will aid in setting and monitoring achievements for the coming year and further strengthen alignment with the Council's priorities.

Improved reporting and evaluation of projects will also help to improve the effectiveness of the Unit through scrutiny and learning.

Substantial Assurance

Environmental Protection

Overall the processes in place for the administration of environmental permitting are sufficient and operating well to ensure effective management of the activity.

The correct fees are charged for the permits in accordance with DEFRA's set charges and the assessed level of risk. The income received is correctly administered in the General Ledger ensuring it is used to offset the overall cost of providing the Environmental Health service.

Staff members administering the environmental permits are experienced and have the appropriate technical knowledge.

We identified the following areas where some improvements are necessary to enhance the effectiveness of the activity:-

- Ensuring planned inspections are completed within the schedules and seeking clarification from DEFRA on the mobile plant inspections in light of the operational difficulties.
- Undertaking independent spot check reviews on the risk assessments and the inspection outcomes to ensure the risks have been correctly assessed and process followed comply with statutory requirements.

HRA Self-Financing

When we commenced the audit we found several issues with the HRA and the processes in place.

We had discussions with the Financial Services Staff who had become aware of the issues and they have worked hard in consultation with the Strategic Housing Business Manager, the relevant CMT directors and staff from Newark and Sherwood Homes to review and update the HRA financial model. This has ensured that the assumptions used are prudent and any identified errors are corrected to ensure the plan is reliable and fit for purpose. Revised processes have also been put into place to prevent the issues reoccurring.

We have been able to give a 'Substantial Assurance' opinion based on the effectiveness of processes as a result of the work recently undertaken. A 'Low' assurance would have been a fair opinion if the changes had not been actioned.

We identified some areas where further improvements are necessary to strengthen the governance arrangements for the HRA:-

- Ensuring the processes for the annual review of the business plans are robust, effective and any agreed actions are promptly resolved to ensure the plan is ready for use in a timely manner.
- Formalising the calculation requirements for Capital expenditure.
- Critical reviews and in-year monitoring processes are strengthened.

Substantial Assurance

CCTV

The day to day arrangements for the management and provision of the service continue to result in an effective service for all of the partners. There is a team in place and the service has successfully completed the move to its new premises within a more secure environment.

The management of the service is quite informal with a small number of people working closely together, and regular contact with contractors. In our opinion the management of the service could be strengthened through the implementation of more formal arrangements. The Council should consider:

- Producing an annual report
- Setting more meaningful targets
- Documenting meetings and sharing minutes

Some aspects of the new Partnership agreement would benefit from further clarification before it is signed by all parties. There is referral to the 'Nominated Body' but nowhere within the document does it state who this is or how it is appointed.

The change in staff and move to new premises has led to minimal improvements being made since our previous review therefore the level of assurance remains unchanged.

Brexit Preparation

The Council has good arrangements in place to monitor the risks associated with Brexit and keep up to date with the progress of the negotiations. The arrangements in place are currently reasonable reflecting the current position of the Brexit negotiations; discussions with other Authorities have found that the Council is more proactive in planning for Brexit.

Whilst there are a number of plans and thoughts of how processes will develop as the Brexit deal (or no deal) is agreed, these have not been formalised which has led to a substantial assurance level being given rather than high assurance.

A report on the implications and opportunities of Brexit was presented to CMT in June 2018 'Exploring the Potential Impact of Brexit across Newark and Sherwood' which identified risks and opportunities for the District and services provided by the Council, and its wholly owned companies. A number of recommendations were also made for them to consider and following discussion a range of actions were implemented including management arrangements for overseeing the work relating to Brexit.

Substantial Assurance

Domestic Refuse

Overall, adequate arrangements are in place, which ensure that domestic refuse is collected from the households and disposed of appropriately at the waste disposal points. Processes supporting the administration of the service are operating sufficiently.

Management and the current political administration are actively involved in raising the profile and further developing the service through the Cleaner Safer Greener (CSG) agenda. This ensures that the service is clearly aligned to the Council's strategic priorities and vision.

A Residents Survey has been carried out and a Diagnostic Review of Environmental Services including Refuse and Recycling Collections, Street Cleansing and Commercial Waste is scheduled to be undertaken by the external consultants. These will positively contribute to the future delivery of the service.

We have identified areas where some improvements are necessary:-

- Ensuring sufficient staff members are available to provide the service in full, taking measures where necessary to address staff sickness.
- Learning lessons from the customer complaints feedback
- Reviewing the adequacy of the current measures for reducing the waste contamination and exploring additional measures where necessary.
- Identifying and addressing the causes for the missed bins collection

Street Cleansing

Overall, the arrangements for the delivery of street cleansing services are adequate. The business unit has commissioned a desktop review to ensure continued service improvements, looking at the key areas that are likely to benefit from further work.

There are continuing arrangements to align the CSG agenda to the Council's strategic priorities and vision.

A Residents Survey has been carried out and a Diagnostic Review of Environmental Services including Refuse and Recycling Collections, Street Cleansing and Commercial Waste is scheduled to be undertaken by the external consultants. These will positively contribute to the future delivery of the service.

Mechanisms are in place to ensure that street cleansing service requests are captured, recorded and shared between Customer Services and the Waste, Litter and Recycling business units.

We have identified areas where some improvements are necessary:-

- Reviewing the arrangement for emptying the street litter bins.
- Ensuring service requests are promptly actioned and any closures of the requests are adequately supported with reasonable evidence.

Substantial Assurance

Our review has provided an overall substantial assurance opinion for the effectiveness and efficiency of the key controls in place within the Council for the areas we tested.

All controls tested in Financial Services operate effectively and as expected. The systems we reviewed operate effectively in protecting the business from increased exposure to fraud and error.

Below we have identified areas, where further improvements in key controls are necessary:

Key Controls

Human Resources

- Ensuring the Recruitment and selection policy is regularly updated in order to incorporate changes in legislation and work practices
- Documenting and dating checks of the right to work for all new starters

Debtors

- Ensuring that there is a clear and up to date procedure for sundry debts collection after the final reminder has been issued which clearly specifies roles, responsibilities and timeframes
- Regularly distributing sundry aged debt report (ADR) to relevant Business Managers
- Establishing quarterly reporting to SLT of sundry debts

Payroll

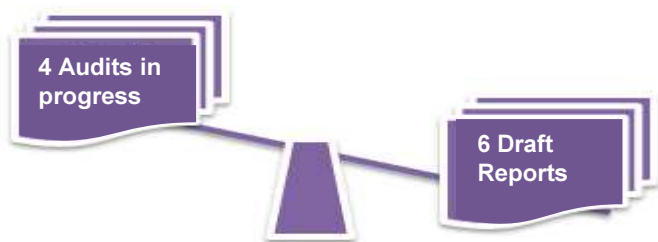
Overall, the Council's payroll is administered efficiently and effectively. For the areas and the activity risks examined, we found that the key controls were operating satisfactorily ensuring that employees are set up, removed and paid accurately and statutory deductions are made and paid to the appropriate body.

Exception reports are reviewed and explanations provided in the areas where payroll rule infringements have been highlighted

The Council's General Ledger is accurately updated with the payroll costs ensuring accurate financial reporting of the employee related costs.

To strengthen the financial controls, we have made some suggestions for improvement including:-

- Strengthening the operational arrangement over the authorisation of the BACS payments ensuring a senior staff member has direct access to authorise the BACS payments within the PayGate system.
- Ensuring claims for additional hours are appropriately authorised before a payment is made.



Audits reports at draft

We have 6 audit's at draft report stage:

- IT Governance
- Development Company
- Emergency Planning
- Business Continuity
- Counter Fraud
- Procurement Card

These will be reported to the committee in detail once finalised.

Work in Progress

We also have 4 audits in progress :

- NSDC Companies
- Project/Programme Management
- Strategic Asset Management
- Follow-ups

Details of these can be seen in the 2018/19 plan at appendix 4.

Other Work Completed

The combined assurance work has been completed.

We have not completed the combined assurance report this year as changes in management have not enabled sufficient time for preparation and training to be provided. To address this we will be arranging a workshop to go through the combined assurance process and any changes and improvements which can be made. We aim to re-commence Combined assurance reports from 2019/20.

Changes to the Plan

We have made two changes to the plan since the previous Committee, both of which have been agreed by the Client officer:-

- Commercialisation moved to 2019/20
- IT infrastructure – removed.



Benchmarking

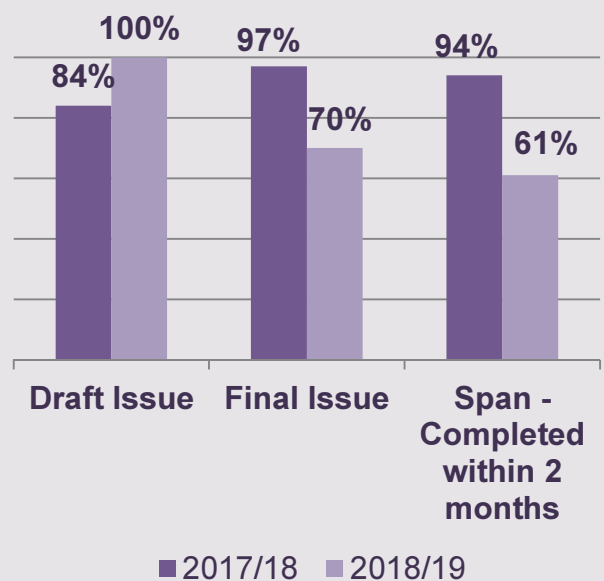


Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

100%
Rated our
service **Good**
to **Excellent**

0%





Other Matters of Interest

A summary of matters that will be of particular interest to Audit and Accounts Committee Members

CIPFA Better Governance Forum Update

In February 2019 CIPFA produced an audit committee update paper. This highlights recent reports from external auditors, in particular the National Audit Office report on Local Authority Governance. It also takes stock of local audit arrangements in the light of recent developments.

Understanding the work of external auditors is a key responsibility of the audit committee, and supporting and overseeing the organisation's response to the auditor recommendations is an essential role for the committee.

The report examined local arrangements, particularly those that support financial sustainability. These included:

- operation and independence of the audit committee
- priority given to ethical standards
- effective internal audit
- robust risk management arrangements
- effective scrutiny and challenge
- the right conditions for statutory officers to fulfil their roles.

The NAO surveyed the external auditors of the authorities on the extent to which they were satisfied that these arrangements were effective. In 50% of authorities, the external auditors had no concerns and 19% had concerns on one area only. However, 30% of authorities were scored as having two or more concerns, including 9% with four or more areas of concern.

The findings from the survey of external auditors was further supported by a survey of section 151 officers and a range of focus groups and interviews with stakeholders.

The document also covers the work of the Committee on Standards in Public Life who have published a report on their review of standards arrangements in English local authorities. The report, Local Government Ethical Standards, acknowledges that the vast majority of councillors and officers maintain high standards of conduct but that there is clear evidence of misconduct by some councillors, particularly around bullying and harassment.

While the report concludes that local responsibility for standards should be maintained, it recommends a number of improvements, including:

- a new model code of conduct
- extending regulations about the disclosure of interests
- strengthening and clarifying the role of the independent person
- a new sanction to suspend a councillor for up to six months
- disciplinary protection for the statutory officers in authorities (monitoring officer, section 151 officer and head of paid service) should be extended to all disciplinary action
- amendments to the Transparency Code to cover disclosures of code of conduct complaints and changes to whistleblowing.



Other Matters of Interest

A summary of matters that will be of particular interest to Audit and Accounts Committee Members

In addition, there are 15 best practice recommendations made to local authorities.

Audit and Accounts committee members should take account of the report as an individual councillor or independent member, but they should also be aware of the report when considering the strength of their authority's ethical framework for the Annual Governance Statement.

High

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.

The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.

Substantial

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.

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.

Limited

Our critical review or assessment on the activity gives us a
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.

Low

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.

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.

ICT Cyber Security

Limited Assurance

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Loss or modification of services or data	Red	9	10

Background and Context

We have undertaken a general review of cyber security, taking into account guidance provided by the Governments National Cyber Security Centre (NCSC), to provide assurance that key areas of Cyber Security have been addressed. Cyber security comprises technologies, processes and controls that are designed to protect systems, networks and data from cyber-attacks.

The Council processes and stores confidential and sensitive information which, if not securely managed, could lead to unauthorised access, data loss, business disruption and reputational damage.

Scope

The NCSC has identified 10 steps for cyber security to help organisations manage cyber risks. A further 2 steps were introduced by the National Audit Office in their publication "Cyber security and information risk guidance for Audit Committees".

Our review covered these 12 steps, albeit at a high level, which includes:

- Establish a Risk Management Regime
- Network Security
- User Education and Awareness
- Malware Protection
- Removable Media Controls
- Secure Configuration
- Managing User Privileges
- Incident Management
- Monitoring
- Home & Mobile Working
- Using Cloud Services
- Development of New Services or Technology

As stated, this is a high level review looking across the whole of the ICT service function. Where we feel further assurance work is required in a specific area, then this is stated within the report.

Executive Summary

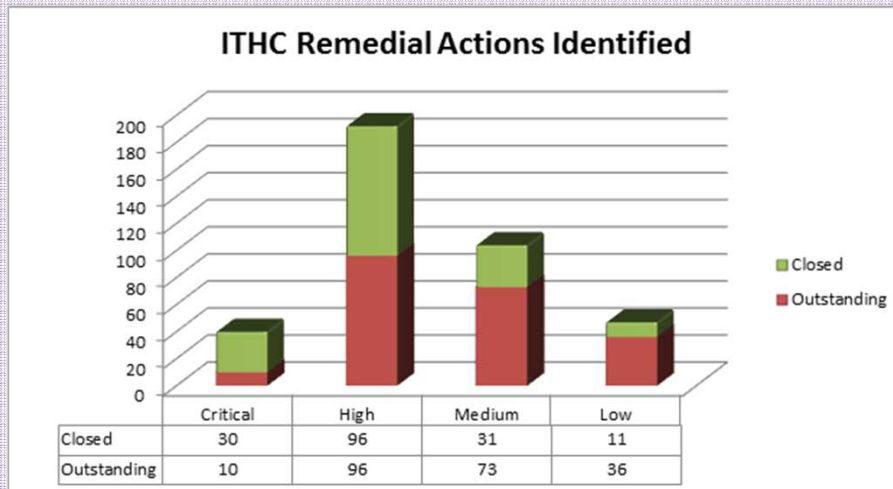
The UK government's National Security Strategy acknowledges cyber threats as one of the four major risks to national security. Consequently, Cyber Security is recognised as a key risk for the majority of organisations.

Effective cyber security reduces the risk of cyber-attacks, and protects organisations and individuals from the unauthorised exploitation of systems, networks and technologies. Cyber-attacks can disrupt and cause considerable financial and reputational damage to even the most resilient organisation.

Our current assessment of the Council's Cyber Security capability is **Limited**.

It is evident that a lot of the policy documents to direct the required behaviour and activities within the ICT service require refreshing and restating. We make several recommendations within this report to amend specific policies that are seen as important to the Cyber Security areas we have covered. A general recommendation to refresh the ICT policy range has been made within the *ICT Governance* audit report undertaken as part of the 2018/19 audit programme.

The annual IT Health Check (ITHC) was undertaken earlier in the year by an external assessor to support the Council's annual PSN compliance. The external assessor produced a report of their findings in April 2018 which resulted in almost 400 actions being identified for the Council to remediate. As a large number of critical and high priority actions remain outstanding we have recommended that the ITHC action plan is more actively monitored by management to help ensure that suggested improvements are implemented within an acceptable timeframe.



Areas of Good Practice

During our review we found that:

- There are a number of user awareness and training initiatives in place such as e-learn modules, and the raising of awareness of cyber security risks through email communicating to all staff, e.g. phishing awareness.
- A mobile device management (MDM) solution is in place to manage corporate mobile devices across the organisation.

Managing Risks

Good risk management, including maintaining risk registers, helps you to identify, understand and reduce the chance of risks having a negative impact on achievement of your objectives. Cyber Security is addressed as an operational risk within its risk management framework. We believe the Council should consider Cyber Security as a Corporate or Strategic risk with a corporate wide approach to providing mitigation to this risk.

Management Comments

I would like to thank Tony & everyone involved for this report and the additional support provided.

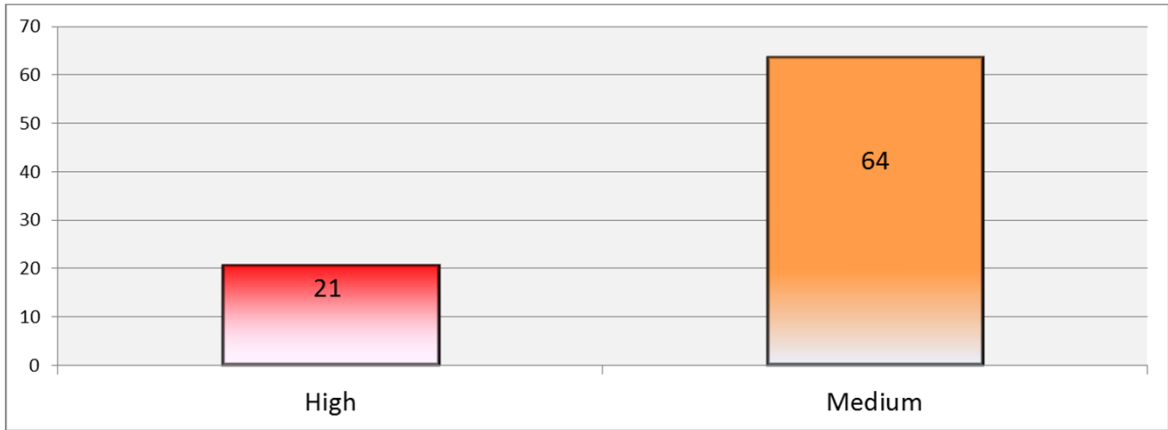
Understanding and accepting the risk rating, we have reviewed the recommendations and have developed an action plan to deal with the responses required. We will work in conjunction with Information Management to ensure we meet all requirements to reduce the level of risk with priority.

Appendix 3

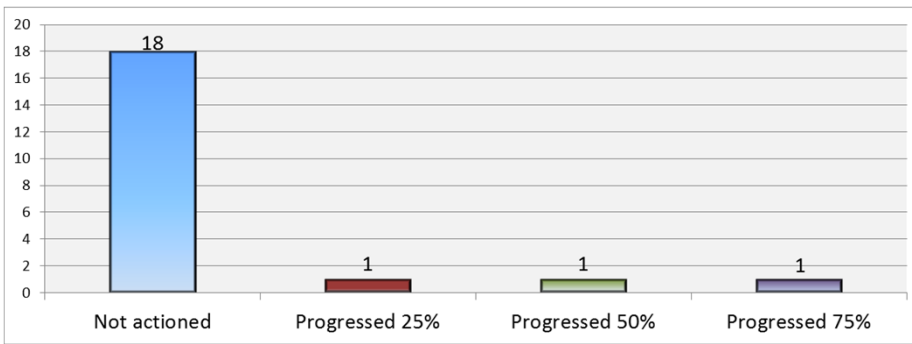
Details of Overdue Actions

Outstanding Audit Actions for all audits at 31 March 2019

All Actions remaining to be implemented

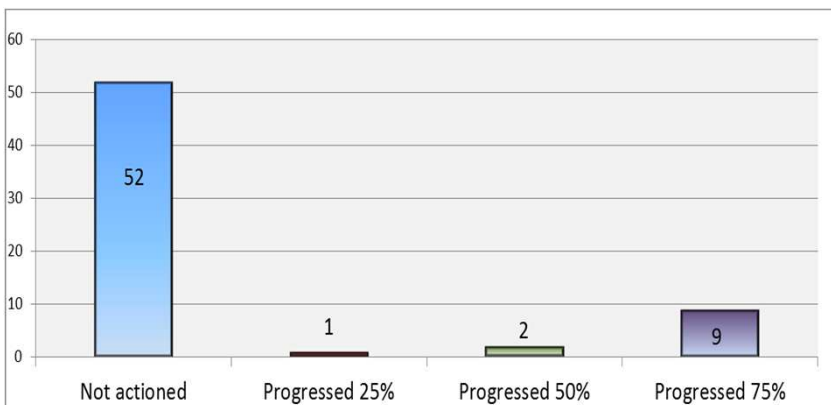


High Priority Actions remaining to be implemented

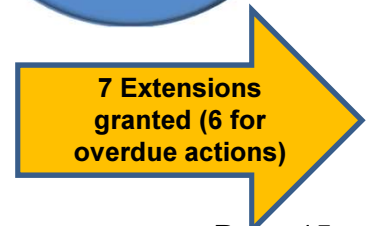
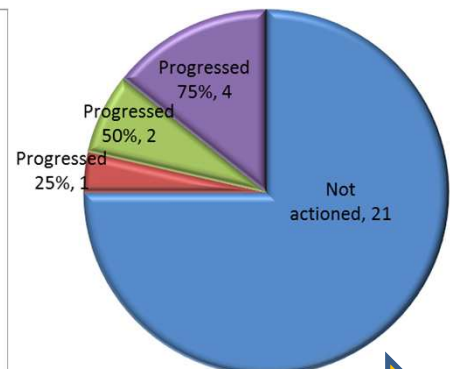


Medium Priority Actions remaining to be implemented

Overall



Overdue



Appendix 4

2018/19 Audit Plan to date

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-18	Apr-18	May-18	Completed
HRA Self Financing Business Plan	There is a business plan in place which is up-to-date, based on sound assumptions and reported.	May-18	May-18	Mar-19	Substantial
S106 Funding	There are effective processes in place for the receipt and spending of S106 monies.	May-18	May-18	Aug-18	Substantial
Emergency Planning	Arrangements are in place which enable the Council to effectively manage an emergency planning situation.	Jun-18			Draft Report
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.	Jun-18	Jun-18	Feb-19	Substantial
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.	Jun-18	Jun-18	Apr-19	Limited
Newark Cattlemarket	Completion of the rent calculation for 2017/18	Jun-18	Jul-18	Nov-18	Completed
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.	Jul-18	Aug-18	Dec-18	Substantial
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.	Jul-18	Jul-18		Draft Report
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.	Aug-18	Aug-18	Oct-18	Substantial
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.	Aug-18	Sep-18	Apr-19	Substantial
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	Aug-18	Sep-18	Oct-18	Completed
NSDC Companies	Review of the Governance and processes in place for the Council's wholly owned companies.	Sep-18	Sep-18		Fieldwork
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.	Sep-18	Aug-18	Oct-18	Substantial
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.	Sep-18	Oct-18	Feb-19	Substantial

Appendix 4

2018/19 Audit Plan to date - continued

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
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.	Oct-18	N/A	N/A	Cancelled
Payroll	The processes and procedures in place ensure that only authorised payments are made to staff and members in a timely manner.	Oct-18	Nov-18	Mar-19	Substantial
Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	Oct-18	Jan-19		Postponed to 2019/20
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.	Nov-18	Dec-18	Apr-19	Substantial
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Nov-18	Nov-18	Apr-19	Completed
Street Cleansing	An efficient and effective service is in place which ensures that streets are maintained at the level of cleanliness expected.	Dec-18	Dec-18	Apr-19	Substantial
Counter Fraud	Strategies and policies are in place for the prevention and detection of fraud.	Dec-18			Draft report
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.	Jan-19	Dec-18	Apr-19	Substantial
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.	Jan-19			TOR
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.	Jan-19	Jan-19		TOR
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.	Jan-19	N/A	N/A	Cancelled - postponed to 2019/20
Business Continuity	Follow-up review to assess the progress being made on the implementation of the recommendations made and ownership has been assigned.	Feb-19	Jan-19		Draft report
IT Governance	The Governance arrangements of the IT service ensure that there are processes in place and roles and responsibilities are clearly identified.	Feb-19	Jun-18		Draft report with auditee
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.	N/A	N/A	N/A	Cancelled
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Mar-19			1 completed, 1 in progress
Procurement Card	To ensure effective arrangements are in place for the administration and monitoring of procurement cards and related expenditure.	N/A	Feb-19		Draft report

AUDIT & ACCOUNTS COMMITTEE

24 APRIL 2019

ANNUAL EXTERNAL AUDIT PLAN 2018/19

1.0 Purpose of Report

- 1.1 To present the External Audit Plan for the 2018/19 Statement of Accounts work and Value for Money Conclusion.

2.0 Introduction

- 2.1 For financial year 2018/19 the Council has new external auditors, Mazars, these were appointed by Public Sector Audit Appointments (PSAA) under regulation 13 of the Local Audit (Appointing Person) Regulations 2015 and the appointment has been made for the duration of the five year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.
- 2.2 The External Audit Plan (**Appendix A**) sets out the proposed work of the Council's external auditors for 2018/19, relating to the audit of the financial statements and the Value for Money conclusion.
- 2.3 The plan describes the audit approach, the key financial statement audit risks and the Value for Money audit approach. It details the audit team, the deliverables from the work, the timeline and the planned audit fee.

3.0 RECOMMENDATION

That the Committee notes the External Audit plan.

Background Papers

Nil

For further information please contact Helen Brookes on 0115 964 4796.

Nick Wilson
Business Manager – Financial Services

AUDIT & ACCOUNTS COMMITTEE

24April 2019

RISK MANAGEMENT

1.0 Purpose of Report

1.1 To provide an update to members on the Council's Risk Management arrangements and status of the Council's Strategic Risks.

2.0 Background Information - Risk Management

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

2.2 The Risk Management Policy is currently under review. It is envisaged that this policy will be submitted to SLT for approval in April 2019.

2.3 An audit of the Council's Risk Management arrangements, undertaken last year by Assurance Lincolnshire, has identified a **substantial** level of confidence in service delivery, management of risks and operation of controls and/or performance.

2.4 A small number of improvements were noted as part of this audit and it is envisaged that all outstanding actions will be completed by July 2019.

2.5 Operational risks identified as red are monitored and reported to SLT as part of the wider assurance arrangements.

2.6 Following the restructure, meetings are being held with new business units and existing units with new operations, to identify and develop their operational risks.

2.7 Further assistance will be provided to Business Managers in reviewing and developing their operational risks once business plans have been approved.

2.8 Projects have the potential to expose the Council to numerous risks. It is therefore essential that they are managed by competent project leads that have a good understanding of how to manage risk. A series of sessions have recently been delivered around Project Management which includes a section on risk covering identification, management, mitigation and control.

3.0 Strategic Risks

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

3.2 A workshop involving members of SLT is held annually to agree risks that are strategic in nature for the forthcoming year. When reviewing risks consideration is

given to how the whole organisation is positioned to deliver its objectives having regard to internal/external factors, some of which are out of the Council's control e.g. economic downturn.

- 3.3 Individual action plans are produced for all strategic risks as a means of controlling/mitigating the risk to a level that is acceptable (i.e. target risk) from SLT's perspective. Action plans are reviewed quarterly and recorded/managed within pentana.
- 3.4 The next annual strategic risk review workshop will be undertaken during the summer of 2019. Existing strategic risks will be reviewed by SLT at this workshop to determine if they remain appropriate and, if so, agree new risk scores. In circumstances where risks are no longer deemed appropriate from a strategic perspective they will either be closed (if appropriate) or re-classified as operational (if appropriate). Consideration will also be given to the addition of new/emerging risks arising as a result of internal/external factors e.g. adoption of the Council's Community Plan.
- 3.5 A quarterly assurance report regarding risk management is provided to SLT for their consideration/information. This report provides an overview of the risks, outstanding actions and areas of concern.
- 3.6 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.
- 3.7 In addition to strategic risks, the Council has also identified a number of operational risks for each business unit. These have been developed by Business Managers and the Risk and Safety Management Officer and have been recorded on pentana for management purposes. Both managers and directors have responsibility to manage/monitor these and are required to formally review them at least quarterly.
- 3.8 Following the last annual SLT risk review workshop SR02, SR10, SR11 and SR12 were added to the strategic risk register and the strategic risk for Major Projects was removed.
- 3.9 There are currently twelve Strategic Risks as set out below:

Risk Name and Code	Risk Description
STRAT_SR001 Financial sustainability.	Uncertain changes in Central Government funding increased and demand in service resulting in lack of financial resilience.

STRAT_SR002 Safeguarding Management	Inappropriate management of a safeguarding Issue
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 Organisational Development	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.
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

STRAT_SR010 Impact of welfare reform changes	Internally: Impact of welfare reform changes on a number of business units including revs/bens, customer services and housing options. Externally: Impact of welfare reform changes on residents and registered providers
STRAT_SR011 Arkwood Development Limited	Managing the performance relationship between the council and Arkwood Developments in line with the Governance agreement
STRAT_SR012 Brexit	Inadequate processes in place for the identification and management of Brexit implications

3.10 Current Strategic Risk Levels

3.11 In accordance with the Risk Management Policy, strategic risks continue to be reviewed on a quarterly basis by risk owners and assignees. As part of this review the risk score is also considered to determine whether it has changed.

3.12 A target risk score is assigned to all strategic risks. Scores are agreed annually by members of SLT.

3.12 The table below includes the risk profile for all strategic risks:

Likelihood	High				
	Significant		6,7	3,9, 11,12	
	Low			1,2,4,5,8,10	
	Very Low				
		Negligible	Marginal	Critical	Catastrophic
	Impact				

Key

	High risk
	Medium risk
	Low risk

3.13 The table below illustrates changes in risk scores during the previous 12 months:

Risk name and code	Direction of risk travel	Details
STRAT_SR001 Financial sustainability.	=	No change. Remained at target risk.
STRAT_SR002 Safeguarding Management	=	New Strat risk – No change. Remained at target risk.
STRAT_SR003 Facilitating growth.	=	No change. Not at target risk

STRAT_SR004 Supply chain failures and contract management.	=	No change. Not at target risk
STRAT_SR005 Organisational development.	=	No change. Remained at target risk.
STRAT_SR006 Sustainable communities.	↑	Increased in likelihood score. Not at target risk
STRAT_SR007 Continuity of service (Civil Contingency & Emergency).	=	No change. Remained at target risk.
STRAT_SR008 Corporate governance.	=	No change. Remained at target risk.
STRAT_SR009 Data management and security.	↑	Increased in likelihood score. Not at target risk
STRAT_SR010 Impact of welfare reform changes	↓	New Strat risk – Decrease in likelihood. At target risk.
STRAT_SR011 Arkwood Development Limited	↑	New Strat risk – Increased in likelihood score. Not at target risk
STRAT_SR012 Brexit	=	New Strat risk – No movement in score since introduction.

3.14 All twelve Strategic Risk assessments have been appended to this report.

4.0 Equalities Implications

4.1 There are no specific equalities implications arising from the details set out within this report. Where appropriate equalities are considered as part of the risk management process and where appropriate these are noted against the relevant risk and mitigation put in place to manage the risk along with any other risks identified.

5.0 Community Plan- alignment to objectives

5.1 Any additional risks either strategic or operational arising from the adoption of the community plan will be considered as part of the wider business planning process.

6.0 Financial Implications (FIN19-20/7396)

6.1 There are no direct financial implications arising from this report.

7.0 RECOMMENDATION

Members of the Committee are recommended to note the content of this report.

Reason for Recommendations

To update the Committee on the Council's approach to risk management and provide an update on the status of the Council's strategic risks

Background Papers

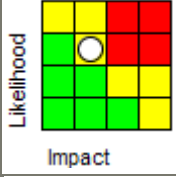
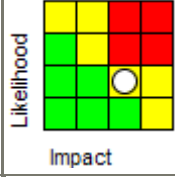
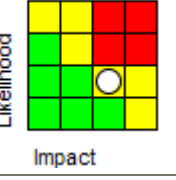
Nil.

For further information please contact Richard Bates – Safety and Risk Management Officer on extension 5593.

Karen White
Director – Governance and Organisational Development

Appendix 1

RISK - Register - Strategic Risk

Risk Name & Code	SR001 Financial Sustainability	Risk Owner	Wilson, Nick (BM - FIN); Kohli, Sanjiv (SLT)		
Risk Description	Uncertain changes in Central Government funding increased and demand in service resulting in lack of financial resilience.	Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly	
			Last Review Date	Target Date	Management
			19-Dec-2018	31-Mar-2018	Control Pending

BM Commentary - Risk Remaining in Red Status	
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Risk Officer Review	RB, SK, NW, MZM - 18/12/2018
Vulnerability	Financial sustainability/planning Resource demand Partnerships/stakeholder failure Meeting corporate priorities Legal and compliance
Trigger/Event	<p><u>Financial</u> Projects undertaken to mitigate funding cuts are unsuccessful in producing the necessary savings. Service failure leading to loss of income. 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. Non payment of debt charges. Increase in borrowing rates (treasury management). Unforeseen financial burden due to implementation of national policy: 1. Implementation of Works & Welfare Reform Act 2016. 2. Governmental Policy affecting council's approved rent policy. 3. Implementation of the Housing and Planning Act 2016. 4. Pending Social Housing Green Paper 2018 5. Change in supported housing funding. 6. Changes to the level of borrowing headroom allowable. Reduced customers for income generating services. HRA development programme failure. 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). Poor revenue planning of new projects. 100% Business Rates retention Profiling of Capital Programme. Global economic shocks having negative effect on Government finances and local economy. Income volatility Large number of projects underway at any one time Inability to attract businesses for future business rates growth.</p> <p><u>Partnership/Stakeholder</u> Failure by Housing Management Company to deliver contract and effectively manage assets. Change in local political strategy. failure of a lead principal partnership failure of stock management failure in delivery of new stock NSH housing management business plan failing Large scale applications for mandatory relief eg. NHS. Competition - Local competitor seeking increased market share. Local authorities and/or elected mayors commence using business rates as competitive tools. Enterprise Zone status attracts local businesses to relocate outside of the district (eg. proposed Robin Hood</p>

	<p>line extension).</p> <p><u>Resources</u> Contractions in the provision of other public services, leading to increased expectations and demand on the district council. Lack of sites to deliver HRA development programme. Reduction in rental income beyond HRA BP assumptions. Loss of stock through RTB beyond anticipated levels Lack of resources (financial and key NSDC staff) Lack of skill/qualified staff. Inadequate systems to monitor NSH & BP. Increase in demand for non-income generating services. Increased demand for services Potential changes to housing management and maintenance priorities Considering reviews and identifying opportunities.</p> <p><u>Legal & Compliance</u> Changing legislation or government policy reducing grants or increasing costs (eg New Homes Bonus, Apprenticeship levy) Don't use the 1-4-1 receipts in accordance with government timeline.</p>
<p>Impact/Consequence of Trigger</p>	<p><u>Financial</u> Increased costs/lower level of service provided. Inability to produce a balanced budget Inability to financially plan beyond 4 years. Council becomes financially unsustainable Increase payments of loan portfolio. Loss of income. Possible effect on housing tenants ability to pay rent and sustain their tenancy. Inability to respond to significant drop in income Failure to comply with Financial Procedures resulting in works and services not appropriately procured and leading to budget overspends. Failure to service the housing debt (£110m), deliver capital investment in the housing stock and enable an effective housing management service. Potential liabilities to the general fund Inability to plan long term - beyond 4 years Failure to deliver HRA Development programme (£30m) Service closure. Failure of one or more projects bring it back in house not suing NSH Reduction in the investment of the housing stock (inability to deliver Newark & Sherwood decent homes standard). Desirability and letting of stock, increasing average relet times = loss of rental income. HRA bails out the HM Company Return of the 1-4-1 receipts plus interest back to gov should we not use this. Plus the additional contributions to capital funds.</p> <p><u>Priorities</u> Decline in outcomes eg. crime and health major issues around vulnerability. Strategic direction of the Council changes or becomes unclear. Need to change existing policies. Loss of reputation of the Council. Reduction of the management housing service. Not meeting changing populations needs Unable to deliver outcomes of Neighbourhood Studies and/or regeneration programmes Unable to meet objectives outlined in the strategic priorities Identifying and reviewing potential opportunities for inclusion in the Business Plan Failure to meet the councils strategic priorities and housing vision. Inability to deliver statutory housing policies</p> <p><u>Partnerships/Stakeholders</u> Failure of collaborative or joined up approaches. Failure of relationships. Negative media coverage. Reduction in tenant satisfaction and management/repairs service to tenants. Reputation with partners and Gov bodies. Greater Political scrutiny. Government Intervention/General fund intervention.</p> <p><u>Resources</u> Reduced capacity to maintain service delivery. Loss of local services/facilities. Loss of staff morale. Reduction in ability to invest locally. Inability to deliver and maintain service</p>

	<p>Restriction of service choices, eg. sustainable procurement. The housing needs of local residents are not met and there is no adequate alternative for residents eligible for affordable housing. Additional pressure on other Council functions, such as housing options (lack of move on accommodation) and the allocation of social housing (increase in numbers on the housing register). External organisations for example Registered Providers and support providers unable to meet demands. Additional burden to administration of re-letting properties due to impact of national policy. Reduction in the ability to deliver HRA development programme. Estate regeneration programmes not taken forward. Deterioration in condition and quality of housing stock and neighbourhood.</p>
<p>Measures already in place</p>	<p><u>LEAD OFFICER - Director of Resources & Deputy Chief Executive - S Kohli</u> <u>Objective:</u> Critical success factors are maintaining and improving services whilst delivering an acceptable level of Council Tax <u>Controls:</u> <u>Management Agreement:</u> -Monitor and Review of the 5 year HRA Development programme. -Monitor/review the progress of the 30 year management agreement with Newark & Sherwood Homes -Housing Performance Framework, monitoring of these and reporting to SHLP and Homes & -Communities Committee. -NSH Annual Delivery Plan -Re-basing management fee every three years. -Strategic/Operational liaison meetings with NSH discuss Management Agreement, Operational issues, review of HRA BP. -HRA asset review/utilisation undertaken and ongoing monitoring of this. Active4Today set up to deliver leisure services with a reducing management fee. 30 year HRA business plan produced and reviewed annually. Developed and agreed a 5 year HRA development programme to deliver 335 units. Rent setting, Capital Programme, NSH Annual delivery plan, update on the HRA Development Programme, NSH Performance, Tenants scrutiny. Reports to Members through the Committee cycle (Policy & Finance and Homes & Communities) and individual liaison with appropriate Member(s) as required. Scrutinising reports to Newark & Sherwood Homes Board. Strategic Liaison Housing Panel (NSDC Members/NSH Board. SHLM Meetings with both NSDC Officers and NSH Officers. Shared documentation between the council and the company. SLA's with voluntary sector providers.</p> <p><u>Financial Management:</u> -Council Capital monitoring meetings. -Investments approved in line with the annually agreed/reviewed Treasury Management Strategy. -Annual production and submission of report on rent setting policy. -£2m General HRA reserve. -S106 Officer ensuring HRA S106 monies utilised correctly. -Ensuring the 1-4-1 Capital Receipts are utilised pre deadline. -Headroom for borrowing together with Government announcements on levels of debt monitored -Well established officer budget process. -Refreshed Medium Term Financial Plan including restructure of reserves -Council Approved Capital Programme. Major income streams monitored by CMT. 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. Regular review of Treasury issues to improve rate of return on investments. Exercising caution over future financing in short to medium term. Analysis of Government policy announcements on local authority funding within Autumn Statement, Budget and provisional settlement Prepare Business case for wholly owned development company and present to Policy and Finance Committee for approval.</p> <p><u>Projects</u> Assigned project manager for each project. Ongoing review of projects Corporate Projects Development Team established to identify business opportunities in service areas.</p> <p><u>Reporting/Meeting</u> Director/Business Unit Manager review meetings. Exception Reports to CMT.</p> <p><u>Plan/Strategy</u> Agreed and reviewed Asset Management Strategy. 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</p>

Ongoing work on Council's objectives - Corporate Plan Revised
Consultation & Communication plan to manage political and public expectations.

Business rates

Income forecasting e.g. New Homes Bonus and Business Rates and using a third party organisation to support the business rates appeals forecasting.

Business Rates – keeping appeals provision under continual informal review.

Business Rates - Annual formal review of appeals provision to Government

Nottinghamshire Business rates Pool kept under review.

Horizon scanning to identify long term implications.

Devolution to Newark Town Council and other areas. Monitoring of Funding agreements.

Service and process improvements to generate efficiencies.

Review of empty business properties to identify missed income opportunities.

Growth grp meets qtrly to develop growth strategy and encourage BR Growth

Approved Efficiency Statement meaning Revenue Support Grant fixed over the forthcoming years **to 2019/2020**

Keeping a watching brief

RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:

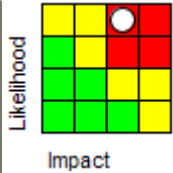
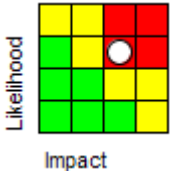
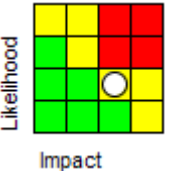
Consideration of a housing investment vehicle. RM

Refresh the financial model to inform the updated HRA business plan (NW)

Linked Actions	Progress Bar
RP-SR001 Financial Sustainability - Risk Action Plan	

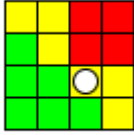
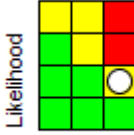
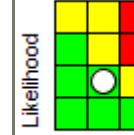
Risk Name & Code	SR002 Safeguarding Management	Risk Owner	Adams, Ben (BM - COM-SAF); Monger, Leanne (BM - HHC); Browser BM		
Risk Description	Inappropriate Management of a Safeguarding Issue	Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly	
			Last Review Date	Target Date	Management
			20-Dec-2018	31-Mar-2018	Controlled
BM Commentary - Risk Remaining in Red Status					

Risk Officer Review	16/3/18 RB, LM, TCB; 17/9/18 BA, RB, MZM, HG				
Vulnerability	Legislative policy and compliance Mismanagement of cases Partners Reputation Resource				
Trigger/Event	Reduction of Managers means that relevant officers may not be available Lack of Training Turnover of staff resulting in loss of continuity Failure to identify a serious case Resurrection of a historic case Lack of resources to respond to the safeguarding process (identification through to investigation and report) Inappropriate response to a case Lack of corporate awareness and culture (members and officers) lack of communication / Partnership failure Non adherence to corporate policy, not escalating and not reporting				
Impact/Consequence of Trigger	Foreseeable and avoidable harm is suffered by a vulnerable person Serious case review by Nottinghamshire safeguarding board Reputational Damage Litigation (criminal and civil) Disruption caused by targeting by group/individual Possible effect on future insurance costs depending on liability and claims history Personal Liability Staff Morale Radicalisation reputational damage with community e.g. negative media resourcing any additional works child exploitation, domestic abuse, radicalisation, modern day slavery, older people				
Measures already in place	<p><u>LEAD OFFICER: Director of Communities & Environment - M Finch</u></p> <p><u>Policies</u> Countywide safeguarding policy adopted – and reviewed / updated March 2018 Disciplinary policy Annual Review and Update of the Council’s Safeguarding Policy</p> <p><u>Training</u> Key Staff already undertaken E-Learning BMS and safeguarding specific training PREVENT introduction to safeguarding training rolled out to all staff Staff Induction training organised Member / represented on the Notts Safeguarding Children’s Board and Notts Safeguarding Adults</p> <p>Local procedures in place Corporate safeguarding group meet regularly Safeguarding Support Officers in place Shared safeguarding email Annual completion of Section 11 return DBS notification process Internal Audit Board and Partnership</p>				
Linked Actions					Progress Bar

Risk Name & Code	SR003 Facilitating and enabling growth		Risk Owner	Reader-Sullivan, Julie (BM - ECO-GRO); Lamb, Matt (BM - GROWTH&R); Main, Rob (BM - HSD); Norton, Matthew (BM - PPO)		
Risk 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	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			17-Jan-2019	31-Mar-2018	Controlled	
BM Commentary - Risk Remaining in Red Status						

Risk Officer Review	RB & Owners 13/03/17 RB, ML, JRS, MN, RM, MZM, HG 6/9/18
Vulnerability	Inability of the market to deliver Growth agenda including housing, infrastructure, commercial, health and leisure requirements affecting the investment potential. Local market conditions and environment Reputation Financial stability of local authority Partners and stakeholders
Trigger/Event	<p><u>Financial</u> Financial Climate Delay of delivery of project due to investors/financial climate. Non availability of funding streams. Change in Bank of England interest rates which reduce appetite to invest. Fluctuations in inflation. Climate / environment change event Loss of significant business resulting in loss of confidence in investing in local area - also knock on effect to suppliers and supportive businesses. Uncertainty over proposals for 100% retention of business rates. Lack of capacity/funding to facilitate local growth (support and infrastructure). No investment due to the economic climate locally and nationally. Reducing level of Grant settlement. Planning objections delaying progress Planning consents not started. Impact of Community Infrastructure Levy on future development. Supply chain failures Developments not viable without reduction in community benefits.</p> <p><u>Partners/ Stakeholders</u> Changing political focus or direction at local, county and national level. The consequences of service reductions introduced by other public sector providers. Partners and stakeholders withdrawing services Impact of closure of a major local employer. Combined Authority/local government reorganisation/devolution.</p> <p><u>Resource</u> Land availability Deterioration in transport infrastructure Lack of professional staff to deliver growth Insufficient capacity to support growth. Skill set shortages in some sectors Suitability of local workforce Limited development for infrastructure/technology for rural locations. Impact of Government forecasts and predictions. Delay in development infrastructure and provision Demographic change.</p> <p><u>Policy/ Legislation</u></p>

	<p>Brexit uncertainty. Legislation changes Change in National policy or legislation and known/unintended consequences. New Homes Bonus consultation and policy framework. Legislation eg. privatisation of planning.</p>
Impact/Consequence of Trigger	<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). 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. Low confidence in house building sector.</p> <p>Low growth locally.</p>
Measures already in place	<p><u>LEAD OFFICER - Director of Growth & Regeneration - M Lamb</u></p> <p><u>Financial</u> 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. Inward Investment - ongoing activity Southern Link Road Duelling of the A46 Local NSDC Land for development identified Arkwood Development Nottinghamshire Business Rates pool to be used for economic growth. HRA 5 year programme to build 335 units.</p> <p><u>Partners/Stakeholders</u> Regular liaison with strategic site owners. Ongoing discussions with partners regarding support for strategic infrastructure. Partnership with LEP and local businesses growing and improving. Partnership arrangements with local colleges and universities eg. memorandum of understanding with Nottingham Trent University. Nottinghamshire Economic Prosperity Committee. Working in partnership with Registered Providers, Homes England and other bodies to develop new build housing schemes across the district Undertake Regeneration activities currently focussed on Bridge Ward, Ollerton and Boughton & Hawtonville. Education partnerships; Together for Newark and Sherwood Forest Education Partnership. 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. Feasibility study (Constraint study) for the development and disposal of Ollerton Hall (ml)</p> <p><u>Strategy/ Policy/ Reporting</u> Reviewing Core Strategy and Allocations DPDs to ensure they continue to be appropriate and facilitate growth in housing and employment over the coming years. Monitoring of key economic data is undertaken regularly Business Growth reporting system Prosperity Agenda is the main priority for the council including funding scheme for new business development Housing Growth Strategy in place Implementing 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. Regular growth and prosperity meetings Ollerton Hall planning brief commissioned - ML Developed a flexible policy on exercise of discretion on business rates to support future growth. (JRS) Agreement of the forward work plan for Economic Growth Support for strategic infrastructure</p> <p><u>RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:</u></p>
Linked Actions	Progress Bar
RP-SR003 Facilitating and enabling growth - Risk Action Plan	0%

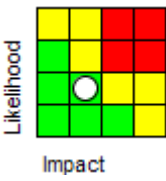
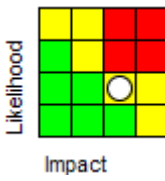
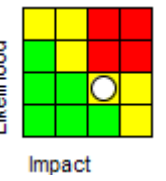
Risk Name & Code	SR004 Supply Chain Failures and Contract Management		Risk Owner	Johnson, Deb (BM - CMP); Wilson, Nick (BM - FIN); Kohli, Sanjiv (SLT); White, Karen (SLT)		
Risk Description	Failure of key suppliers, key service providers to deliver contracted or agreed services or poor contract management, leading to failure to achieve Council priorities and outcomes.		Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			17-Dec-2018	31-Mar-2018	Control Pending	
BM Commentary - Risk Remaining in Red Status						

Risk Officer Review	RB, JK, TCB 19/12/. SK Email 21/12/17 - RB,DJ,KW,NW,JK,MZM,HG - 3/9/18
Vulnerability	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. Financial management
Trigger/Event	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 noncompliance. Lack of/poor effective exit strategies. Poor quality of services. Insufficient provider availability. lack of corporate memory and expertise. Lack of procurement resource Inadequate monitoring of quality and finance of contract through its life Contract management not embedded Outcome of BREXIT - link to STRAT_SR012 - BREXIT
Impact/Consequence of Trigger	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. Knock on effect on other contracts Inconsistent approach to contracts
Measures already in place	LEAD OFFICER: Business Manager, Commercialisation & Major Projects - D Johnson 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 of individual contracts Business continuity insurance where required. Flexible procurement for energy. Performance bonds in place for major projects where required. Parent company guarantees.

	<p>The risks of major projects are also covered within the projects themselves. Revised Contract Procedure Rules (every 2 years). The principle of time based contracts with robust exit clauses Legal Service assessed all pro contract contracts. Regular contract review meetings with key suppliers eg. NSH, Active4Today, Urban&Civic, EMBC, Assurance Lincolnshire Use of intermediaries for contract expertise. The ability to more frequent contractor checks and alerts for significant projects and escalation process eg Equifax. Recurring Contracts Register and Major Contracts Register (Over 500k) established. (under development) Key services and suppliers List developed Lead officer in post to take control of contracts Council use of SLA's and monitored Named contract Manager highlighted for each contract. Change control process in place for selected contracts</p> <p><u>RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:</u> All new contracts awarded after the 25th May 18 need to include appropriate GDPR clauses - legal are to enshrine GDPR clauses in to standard contract terms and conditions. (JK/M Pinnington)</p>
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Linked Actions	Progress Bar
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RP-SR004 Supply Chain Failures and Contract Management - Risk Action Plan	7%
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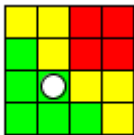

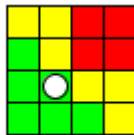
Risk Name & Code	SR005 Organisational Development		Risk Owner	Baker, Jill (BM - CSC); Parkinson, Sharon (BM - ICT); White, Karen (SLT); Piper, Tracey 1 Admin		
Risk Description	Ensuring that the Council, its Members and its workforce have the skills, resources, ability and capacity to adequately respond to current and future organisational change meaning the Council is able to deliver its services in the most efficient and effective manner.		Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			17-Dec-2018	31-Mar-2019	Control Pending	
BM Commentary - Risk Remaining in Red Status						

Risk Officer Review	RB & Owners 09/03/17
Vulnerability	Maintaining and Developing appropriate skills Resource Expertise Service delivery Capacity Reputational Inability to adapt to change Meeting objectives & priorities Health & Safety (linked to agile working)
Trigger/Event	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. Local changes in political leadership. 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. Business continuity or emergency planning incident- refer to Strategic Risk STRAT_SR007 - Continuity of Service.
Impact/Consequence of Trigger	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. Difficulty in recruitment. Increase of civil and criminal claims. Safety of Employees. Breakdown of strong member/officer relationships.
Measures already in place	LEAD OFFICER - Kirsty Cole 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 provide support to Business Managers to manage staffing issues, e.g. sickness absence, capability etc.
 Effective communication arrangements are in place.
 Rolling programme of review for HR policies to ensure they remain robust and fit for purpose.
 Selima system upgraded to provide Business Managers with ownership / control over staff sickness/Holiday approval etc. Efinancials and other systems upgraded to facilitate management and practice of agile working.
 HR working closely with Business Managers to support organisational change.
 Partnership approach with recognised trade unions to support organisational change.
 Counselling/therapy and welfare support services in place for staff. Visible leadership.
 Annual employee planning process.
 Ongoing collaborative and shared services activities.
 Training and development programme to support ongoing development of skills and competencies and BM and other staff change management such as recruitment.
 Review of training requirements linked to appraisal process to ensure that appropriate development is sourced and implemented for staff to include facilitation of succession management.
 Agile working policies implemented. Timewise – emphasizing flexibility/agility of working conditions at the point of recruitment eg. Condensed hours contract.
 Use of Apprenticeships to support service areas and support succession management.
 Regular meetings between Chief Executive and political leaders.
 Directors aligned to committees.
 Review of the Council's corporate priorities to feed into a re-refresh of the Corporate Plan (on-going).
 Nominated lead officers for contracts with external providers eg. Active4Today.
 Review of the Performance Appraisal process to ensure that it supports agile working and is aligned to the wider needs of the organisation.
 Adoption of a more proactive approach in engaging with the media and the community in demonstrating the Council's successes as a mechanism to improve the Council's reputation.
 Medium Term Financial Plan puts aside sufficient funds to resource transformational change
 On-going review of pay and grading arrangements in support of implementation of the national scale points.
 Restructure of services following implementation of transitional arrangements to support delivery of the corporate priorities.

RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:

Linked Actions	Progress Bar
RP-SR005 Organisational Development - Risk Action Plan	

Risk Name & Code	SR006 Sustainable Communities	Risk Owner	Adams, Ben (BM - COM-SAF); Baker, Jill (BM - CSC); Reader-Sullivan, Julie (BM - ECO-GRO); Batty, Alan (BM - ENV-H); Monger, Leanne (BM - HHC); White, Karen (SLT); Browser BM		
Risk Description	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.	Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly	
			Last Review Date	Target Date	Management
			26-Feb-2019		Control Pending
BM Commentary - Risk Remaining in Red Status					

Risk Officer Review	Reviewed 26/02/2019 - JB, LM, RB, HG
Vulnerability	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. Community Leadership Financial and funding issues Partnerships and stakeholders Reputation
Trigger/Event	National/local incident e.g. Safeguarding issue, emergency/environmental event and/or civil disruption leading to cultural tensions/incidents/crime. Crime and/or radicalisation/ politicians Withdrawal/changes to services/budgets – eg. supported housing/homelessness, third sector support, policing, social care and adult services/ Loss of transport links Loss of significant community services loss of significant infrastructure/ communications Local decision making - eg. contentious planning decision, major breakdown within a Parish council splitting a community. Community experiencing rapid change eg. economic recession. Change/ or failure in benefits systems leading to reduced household income. Increased unemployment Economic downturn Perception that migrant workers leads to competition for jobs, housing, welfare. Syrian resettlement programme and asylum dispersal. Post Brexit related issues. Partners/ government funding streams reduced Perceived poor/inequality health provision Health and sustainable places Social mobility Unauthorised encampments
Impact/Consequence of Trigger	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/ partners/ third sector Crime and antisocial behaviour. Reputational damage for district and Council. Increased media interest Financial impact on the community and the services provided to the community Resourcing services Increased demand for services.

Strained partnership relationships. Unemployment.
Leadership role of the Council where the community disengages from a provider.

LEAD OFFICER - Matt Finch

* Community Impact Assessments.

* 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 Citizens Advice Sherwood and Newark.

* Prevent training has been delivered. Project Griffin training has been delivered.

* Safeguarding: policies (county wide policy reviewed annually), procedures, training and referral mechanisms; Corporate Safeguarding Group; District/Borough Safeguarding Leads meeting, Member on both Adults and Children's, Safeguarding boards.

Safeguarding Quarterly reports to CMT.

*Modern Day Slavery (MDS) is a theme of the Safer Notts Board which NSDC are represented at. The Community Safety Partnership will then action various tasks around MDS such as running 'days of action' around various types of premises where MDS may have a greater potential prevalence.

* New and Emerging Communities is a theme of the Safer Notts Board which NSDC are represented at. The Community Safety Partnership will then action various tasks around this issue such as community engagement events in partnership with Notts County Council.

* Neighbourhood studies and resulting action plans. Consider and where appropriate plan the implement action plans for the Neighbourhood Studies completed (Bridge, Hawtonville, Ollerton & Boughton)

* Equality Strategy, Equality Impact Assessments, Quarterly Equality Steering Group.

* Greater integration and access with service providers e.g. Castle House

* Notts Warm Homes on prescription programme.

* Actively monitor/manage Communications: Voice, active on social media channels and networks eg. Spotted Newark

* Community leadership role of councillors.

* Annual Parish Conference.

* Syrian resettlement coordination group.

* Cultural Orientation Workshops e.g. Syrian Cultural Training.

* 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.

* Street outreach team for rough sleepers.

Developed Training Strategy for staff below Business Manager Level to include reference to and understanding of the Council's Equality and Diversity Strategy when strategy was relaunched in 2016.

Tolney Lane Project/Working group - Voluntary sector built relationships with the community. (BA) Equality & Diversity Audit Action Plan and Equality Strategy (TM, BA).

* Regular Community & Environment Team Meetings

SNB/CSP:

* 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.

* Active participation in the Safer Notts Board (SNB) and its themed groups e.g. Modern Day Slavery, New and Emerging Communities.

CCG/HEALTH THEMED:

* Representation on health governance structures; Health and Wellbeing Board; Sustainable Transformation Plan and Better Care Fund Programme Board;

* Maintain close links with county public health team.

* CCG Quarterly senior officer / Member meetings - influencing commissioning intentions(LM)

* One Public Estate Strategic Project in the West

Cleaner, Safer, Greener initiatives

Social mobility - see growth risk

Community wellbeing officer

Community & arts function

Child poverty network

Support sports facilities eg. through the Sports Hub, YMCA

Homeless Strategy

Newark and Sherwood Health and Wellbeing partnership

Social Mobility Strategy



Unauthorised Encampment Policy

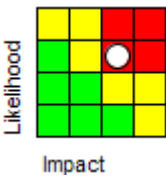
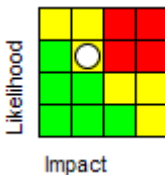
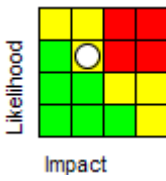
Annual Rough Sleepers Count undertaken with partners and reported to government

**Measures already
in place**

RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:

To continue to develop the Tolney Lane Working Group
Syrian Cultural Training in place
ASB Policy reviewed

Linked Actions	Progress Bar
COM-SAF_E&D2.03 Understand our communities through Bassetlaw and Newark & Sherwood Community Safety Partnership	 100%
RP-SR006 Sustainable Communities - Risk Action Plan	 31%

Risk Name & Code	SR007 Continuity of Service (Civil contingency/Emergency)	Risk Owner	Manley, Mike (BM - COM-SAF) Deputy; Adams, Ben (BM - COM-SAF); Parkinson, Sharon (BM - ICT); White, Karen (SLT); Piper, Tracey 1 Admin		
Risk Description	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.	Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly	
			Last Review Date	Target Date	Management
			07-Dec-2018	31-Mar-2018	Control Pending
BM Commentary - Risk Remaining in Red Status					

Risk Officer Review	RB, SP, KW, MM, AB 18/09/2018
Vulnerability	Partners Reputation Resourcing Public expectation Geography of the district Financial impact
Trigger/Event	Extreme weather event of greater frequency and severity. Unpredictable district/regional/national emergency events. Council headquarters or key facilities are damaged. Pandemic Flu Cyber Attack Counter terrorist Attack Partners not playing part/full role Failure of resources / suppliers / supply chain Availability and resilience of key personnel A "no deal" Brexit (further information see Strategic Risk Brexit)
Impact/Consequence of Trigger	Drain on services and resources to provide an immediate and appropriate response. Business Continuity issues at Castle House 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 perceived failure to respond to emergency or maintain services Reputational damage to the District and attraction to place to live/work Failure to maintain critical services day to day Manage financial requirements of the emergency event 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 flood grants compared with high density areas due to cost benefit ratio. Effect on communities (commercial or domestic) Loss of key/ critical systems
Measures already in place	LEAD OFFICER - Karen White <u>Emergency Plan/ Business Continuity</u> Emergency plans in place and securely stored on Resilience Direct Incident specific emergency plans in place. The plan is regularly reviewed and tested. Periodic review of key services by EPO e.g. Emergency Planning and Business Continuity. Management shows support for BCM through regular discussions in key meetings. Business Continuity is a regular agenda item. Management shows support to appropriately prepare, maintain and exercise a Business Continuity Plan by assigning adequate resources, people and budgeted funds. Periodic review of documents e.g. Emergency Plan, Business Continuity Plan. Business Continuity Audit Review. There is a Business Continuity Management (BCM) Policy and it is updated periodically. - Managers and staff have been made aware of BCP and BCM and their responsibilities. Managers have been consulted in developing the plan and key individuals who input is more important than others have been identified.

The Business Continuity Plan identifies all critical areas of the authority
 There is an up to date Business Continuity Plan.

Financial

Corporate budget available to support flood alleviation schemes.
 Council maintaining budget figure and reserve up to Belwin amount to cover emergency incidents.
 Facilitation of government grant scheme in flood affected areas to enhance future resilience.

Equipment/ Resources

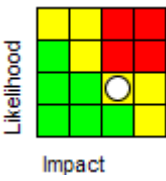
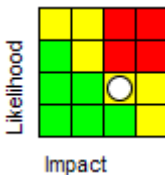
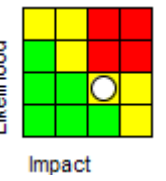
Flood stores in some communities with provisions to self help and therefore not be as reliant on council.
 Agile working arrangements.
 Cyber security arrangements
 Use and Audit of Resilience Direct as a Document Management System/repository
 Load key documents onto Resilience Direct
 Annual stock take of equipment in our Emergency Stores.
 exercise carried out gap analysis of the testing.
 Training & LRF Training
 Improved understanding of snow implications and therefore better plans in place.
 Memorandum of Understanding for mutual aid.
 Local Resilience Forum and annual risk assessment.
 Produced BCP BCM training timetable
 Offering of Health & Wellbeing advice e.g. offering flu vaccinations

Partners/Public

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.

RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:

Linked Actions	Progress Bar
RP-SR007 Continuity of Service (Civil Contingency/Emergency) - Risk Action Plan	<div style="border: 1px solid black; padding: 2px; width: 100px; text-align: center;">7%</div>

Risk Name & Code	SR008 Corporate Governance		Risk Owner	Wilson, Nick (BM - FIN); Kohli, Sanjiv (SLT); Piper, Tracey 1 Admin		
Risk 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	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			19-Feb-2019	31-Mar-2019	Controlled	
BM Commentary - Risk Remaining in Red Status						

Risk Officer Review	RB, TM & NW 06/03/2018 RB, NW, MZM, HG 18/9/18
Vulnerability	Failures in service delivery. Potential for fraud and corruption. Poor policy and lack of clarity about decision making. Legal compliance Reputation Financial resource Resources Partners/Stakeholder
Trigger/Event	Failure to communicate, define, review and uphold governance standards policies to ensure fitness for purpose. 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. Failure in Policy adherence (All policies). Malicious event eg. Fraud, money laundering, etc. Reduction in capacity and loss of key personnel and resources Failure to adequately oversee governance standards of partnerships and other entities that the Council is involved in. Partners poor governance
Impact/Consequence of Trigger	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 and ability to meet corporate priorities Inappropriate use Fraud and corrupt practice identified. Fraud and corruption practices not identified or dealt with leading to an incident of fraud and corruption. Failure of partnerships
Measures already in place	LEAD OFFICER - KAREN WHITE Code of corporate governance created, maintained and monitored in accordance with CIPFA guidance. . Corporate Governance self-assessment against the code of Corporate Governance undertaken periodically. . Periodic review of governance by 3 statutory officers. Annual review of Constitution which includes fit for purpose and up to date: . Officer code of conduct.

- . Officer registers of interests - Related third party transactions.
- . Section 151 officer/Monitoring officer/Head of Paid Service.
- . Gifts and hospitality - policy and register place.
- . Council Financial regulations and procedures,
- . Contract procedure rules
- . Whistle blowing policy
- . Anti-fraud and corruptions strategy

Annual governance statement reviewed annually and reported to Audit and Accounts Committee.
Creation of annual combined assurance report in conjunction with SLT and BMs.

Internal Audit work including risk based Audit Plan.
Effective use of External Auditor.
Scrutiny by Audit and Accounts Committee

Staff and member training in place

- . Training on governance issues including anti-fraud and financial regulations.
- . Counter fraud training delivered.
- . Member induction at the start of each new Council cycle.

Complaints:

- . Localised standards framework and effective arrangements for dealing with complaints overseen by Policy and Finance Committee.
- . Internal complaints procedure.

Fraud

- . Annual internal review of the Fraud Risk register to carry out proactive work, check on internal controls and is reported to members
- . Participation with National Fraud Initiative process
- . Options appraisal for counter fraud and implementation of preferred option.

Appropriate insurance cover including Fidelity Guarantee.

Oversight of Active4Today, Newark and Sherwood Homes, Arkwood and East Midlands Building Control.

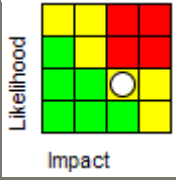
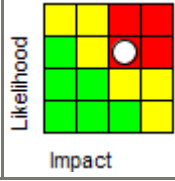
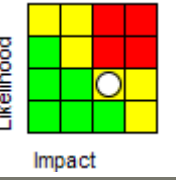
- . Appropriate monitoring of performance of the third party or alternative service delivery methods.

HR policies in place
Recruitment process controls, e.g. References, Immigration, DBS.

Horizon scanning at Business Manager briefings and effective communication between SLT and business managers.

Measures in place to ensure IR35 compliance

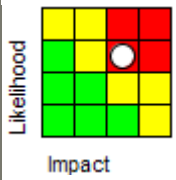
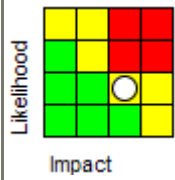
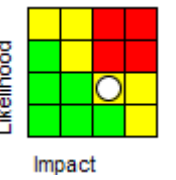
Linked Actions	Progress Bar
RP-SR008 Corporate Governance - Risk Action Plan	

Risk Name & Code	SR009 Data Management & Security	Risk Owner	Baker, Jill (BM - CSC); Wilson, Nick (BM - FIN); Parkinson, Sharon (BM - ICT); Finch, Matthew (SLT)		
Risk Description	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential or business critical information or breach of Information Governance Legislation	Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly	
			Last Review Date	Target Date	Management
			26-Feb-2019	31-Mar-2018	Control Pending

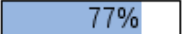
BM Commentary - Risk Remaining in Red Status	
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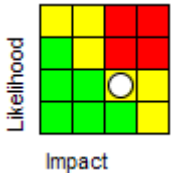
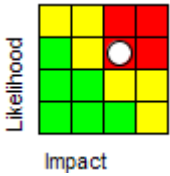
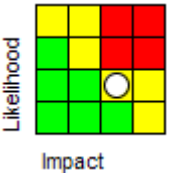
Risk Officer Review	RB & Owners 11/12/17 RB, JB, DC, SP, MF MZM, HG - 7/9/18
Vulnerability	Loss of vulnerable, personal, sensitive, valuable data Legal action Reputation Partners and stakeholder Disruption of service from a cyber attack
Trigger/Event	Personal, confidential or corporately sensitive/business critical information disclosed unintentionally or through error of judgement when responding to requests for information, data breach - intentional (malicious) or unintentional. Theft or loss of equipment/papers/data belonging to the council, partners or third party companies. Targeted cyber attack. Agile Working ie. mobile/remote/home working/home printing/disposal of printed data/GCSX accounts/Outreach posts Reducing resources with less capacity for processing data Collaborative working, sharing, outsourcing and partnership working (including external printing and hybrid mail)/involvement in other peoples' data Use of BYOD (Bring your own device) Government integration agenda e.g. grater working between public bodies Use of suppliers/third parties, etc De-commissioning of property Partnership working and sharing new service locations/data sharing issues Partner's/contractor's/host's poor data management and information security leading to data breach/loss. Devolution/change in service delivery model. Loss of key resources Third party access to IT systems
Impact/Consequence of Trigger	Damage to reputation of the Council/trust by the public. Breach of Access to Information legislation bringing about financial/legal damage - imposed on the Council by the Information Commissioner and other Statutory Bodies. Financial/ resource impact of Information Commissioner investigation. Disciplinary action taken against a member of staff and elected members if a breach is found to be deliberate/malicious. Operational and resource issues eg. service interruption - where focus has to be taken away from service delivery to dealing with the breach. Individual loss/damage to an individual where the Council inappropriately released their personal data eg. civil claims. Drain on resources to process and enable conformity in legislation. Greater demand on existing resource Impact on Agile working - lack of ability to work remotely and available physical resource Cyber attack leading to system downtime/damage/loss of data (Ransom Ware) and financial loss/ resource drain Loss of provision to customers and partners eg. NSH, Active4Today, DWP, CCTV (under current arrangements) leading to disputes over SLAs and contracts and potential loss of income, e.g. partner rent for Castle House. Negative media coverage Less control over data as service delivery models become more complex Loss of partner data where the council is the data processor - subsequent impact on partner's reputation. Loss of confidence with the Council Loss of confidence with partners and stakeholders withdraw of service from partners and stakeholder

Measures already in place	<p>Grater demand on existing services</p> <p><u>LEAD OFFICER - Karen White</u></p> <p><u>Training/ Guidance/ Compliance/ Agreements</u> Data protection training including a section on information security and targeted training ongoing for staff located elsewhere and forms part of the induction process. Guidance and training available for elected members. Guidance on security breach procedures for Business Managers as Information Asset Owners. Specific training completed for all staff taking payments in line with PCI-DSS requirements. Training for ICT staff. Weekly review of ICO guidance. Compliance with the governments security arrangements. PSN compliant data & internet connections implemented. Information governance check on furniture that is being disposed off. Information E Training completed by all staff Cyber Security now standing agenda item on monthly business unit management meetings. Annual review of Information Asset Register GDPR Training - Elected Member Training Session (2 Sessions) and Briefing Document</p> <p><u>ICT/Equipment</u> External Audit on ICT security annually. Encryption for mobile devices VASCO tokens and Google Authenticator. Quarterly ICT 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. Documents scanned reducing the 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 ICT environment. 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. Report & record all cyber-attacks/attempts and escalate to CMT where appropriate Users own devices cannot connect to network 'consent' tick box on appropriate forms</p> <p><u>Policies/Audit</u> Information management framework incorporating Security Policy and Security Breach Policy. Annual SIRO audit Retention of document policy. Data Protection policy Confidential waste handling procedure Review of policies and procedures to ensure compliance with latest Payment Card Industry- Data Security Standard (PCI-DSS) Responsible Officer: SP/JB/NW Data security part of consideration as part of future strategic projects GDPR Audited GDPR action plan reviewed by Internal Audit January 2018. No recommendations All aspects of GDPR action plan completed including compulsory e-learning for all staff. SIRO audit completed confirming processes in place for identifying risks associated with any new project/process. CIGG meeting every two months to review any new risks Periodic PCI/DSS compliance checks - see Corporate risk for further details. Data Privacy Impact Assessment Action plan for new Data Protection regulations implemented</p> <p><u>Partners/ Stakeholders/ Staff</u> Non-disclosure agreements in place for third party access use of data processing and agreements with partners CIO/SIRO/DPO appointed CIGG in place Use of licensed Confidential waste handler Letters sent to all third parties who process personal data on behalf of NSDC advising of additional responsibilities under GDPR and data processing agreements in place</p>			
	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #cccccc; text-align: left;">Linked Actions</th> <th style="background-color: #cccccc; text-align: right;">Progress Bar</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">RP-SR009 Data Management & Security - Risk Action Plan</td> <td style="text-align: right;"> <div style="border: 1px solid black; padding: 2px;"> <div style="background-color: #4f81bd; color: white; padding: 2px; display: inline-block;">27%</div> </div> </td> </tr> </tbody> </table>	Linked Actions	Progress Bar	RP-SR009 Data Management & Security - Risk Action Plan
Linked Actions	Progress Bar			
RP-SR009 Data Management & Security - Risk Action Plan	<div style="border: 1px solid black; padding: 2px;"> <div style="background-color: #4f81bd; color: white; padding: 2px; display: inline-block;">27%</div> </div>			

Risk Name & Code	SR010 Impact of welfare reform changes		Risk Owner	Monger, Leanne (BM - HHC); Ward, Phil (BM - R&B); Brower BM		
Risk Description	Internally: Impact of welfare reform changes on a number of business units including revs/bens, customer services and housing options. Externally: Impact of welfare reform changes on residents and registered providers		Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			03-Dec-2018	31-Mar-2019	Control Pending	
BM Commentary - Risk Remaining in Red Status						

Risk Officer Review	Welfare Reform Meeting & RB 27/02/18
Vulnerability	<ul style="list-style-type: none"> . Financial Impact . Reputational Impact . Resource Demand
Trigger/Event	<ul style="list-style-type: none"> . Welfare Reform Act April 2013 . HRA - intro of the Homelessness Reduction Act April 2018 . Not being prepared. . Not having proper plan. . Indecision. . 2023 migration of all claims onto UC (currently it is just new claims for working age people). . Change in government policy on delivery of UC – whether a new political party change the delivery of UC or abandon the benefit. . volume of daily downloads from DWP concerning stop notices and changes in circumstances . loss of Assisted Digital Support (ADS) (and Personal Budgeting Support (PBS)) service and funding to Citizens Advice . challenges of different approaches across DWP sites.
Impact/Consequence of Trigger	<ul style="list-style-type: none"> . Increased volume of enquires in particular for Customer Services, Revenues and Benefits and Housing options . . Increase customer comments, MP and member enquires – . Impact on collection rates (watching brief) and levels of homelessness. . This will impact on the performance of the contact centre and waiting times at Castle House. . Increased workload, potential for impact on staff e.g. sickness (stress) and morale. . Failure to meet statutory processes and deadlines . Potential for current resources to be overwhelmed and cause backlog. . Impact on Newark & Sherwood homes re: rent collection, leading to greater enforcement and increased homelessness. . Increased usage of temporary accommodation, lack of availability, potential increase in length of stay. . Potential need to look to amend the Council Tax Support Scheme, and possibly amend to reflect DWP input. (watching brief) . Inability to recover outstanding monies. . Possible budgetary impact due to changes in recovery rate. . Increase in DHP payments. . Risk of DHP threshold being breached. . Loss of funding and potential resource issues following transfer of ADS and PBS service to Citizens Advice
Measures already in place	<p>Lead Officer - M Finch</p> <p>A Project Team has been established and meet monthly. Project Team review and update the project plan and risk register monthly. Regular meetings with DWP. Reports To CMT providing assurance on preparation for full service. Agreement with Citizens Advice to provide personal budgeting service Agreement with DWP for NSDC to provide assisted digital service. Co-location of NSDC and DWP to new HQ Ongoing discussions with Citizens Advice Citizens Advice Annual Report Consideration of credit options watching brief on discretionary housing payments</p> <p>RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:</p>


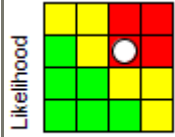
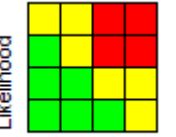
	Landlord and Stakeholder Briefings delivered by the DWP (PW) Training of staff - Customer Services (TS) Training of Staff - Housing & Safeguarding Training of Staff - Revenues & Benefits (PW) Closing of the housing benefit gateway for Newark postcodes (PW) Closing of the housing benefit gateway for west of the district postcodes. (PW)	
Linked Actions		Progress Bar
RP-SR010 Impact of Welfare Reform changes (Universal Credit)		

Risk Name & Code	SR011 Arkwood Development Limited		Risk Owner	Wilson, Nick (BM - FIN); White, Karen (SLT)		
Risk Description	Managing the performance relationship between the council and Arkwood Developments in line with the Governance agreement		Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly		
			Last Review Date	Target Date	Management	
			08-Oct-2018			

BM Commentary - Risk Remaining in Red Status

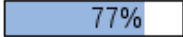
Risk Officer Review	8/10/18 - RB, KC, KW, NC
Vulnerability	<p>Financial implications</p> <p>Reputational</p> <p>Compliance issues</p> <p>Failure to adhere to business plan</p> <p>Market and external factors</p> <p>Resource demand</p> <p>Relationship with company</p>
Trigger/Event	<p><u>Financial</u></p> <p>Loan repayments from the company are not made</p> <p>Company failure to deliver approved Business Plan</p> <p>Company failure to pay monies to the Council e.g. land transactions costs, SLA costs</p> <p>Company failure to pay monies in a timely way</p> <p>Company failure to manage cash flow</p> <p><u>Reputational</u></p> <p>Poor leadership</p> <p>Company insolvency</p> <p>Poor quality development leading to customer dissatisfaction</p> <p>Secretary of State call in planning decisions made by council on company developments</p> <p><u>Compliance Issues</u></p> <p>Operational failure leading to non compliance/legislative failure</p> <p>Compliance failure by the Company (ie. legislative & policy)</p> <p><u>Lack of Delivery</u></p> <p>Failure to adhere to business plan</p> <p>Lack of awareness of company purpose</p> <p>Company failure to secure planning consent on developments</p> <p><u>Market & External Factors</u></p> <p>Brexit - market volatility</p> <p>Downturn in economy</p> <p>Failure to understand and develop to meet market needs</p> <p>Changes in local and national policy & legislation e.g. restraints in legislation from Council</p> <p>Lack of skills to deliver developments to quality and on time (e.g. skills shortage)</p> <p>Market and external construction prices leading to increased cost of build</p> <p><u>Resource Demand</u></p> <p>Insufficient resourcing (e.g. internal capacity to deliver)</p> <p>Over resourcing</p> <p>Incorrect or over demanding SLA's</p> <p>Failure to deliver Council objectives due to increased amount of time spent by board of directors on company rather than substantive role</p> <p><u>Relationship with Company</u></p> <p>Lack of communication between Company and Council</p> <p>Lack of regular updates/ assurance from company</p>
Impact/Consequence of Trigger	<p><u>Financial</u></p> <p>Return on investment to the council not realised</p>

	<p>Lack of sustainability and viability of company Council not achieving aims & objectives as set out in Council's Commercial strategy</p> <p><u>Resource Demand</u> Substantive council roles of directors compromised Council resource overstretched – poor quality service to council or company</p> <p><u>Reputational</u> Adverse impact on reputation Inability to contribute to local plan housing numbers Impact on reputation with key partners and stakeholders</p> <p><u>Market & External Factors</u> Lack of housing that meets market demand</p> <p><u>Partners/Relationships</u> Relationship breakdown between council and company</p>
Measures already in place	<p>LEAD OFFICER - Karen White. Support: N Cook</p> <p>Shareholder Committee established and membership agreed Future Shareholder Committee Meetings arranged Shareholder Committee Members training session completed on 17/1/18 Shareholder Committee authority to approve reserved matters in accordance with signed Governance Arrangement</p> <p><u>RECENTLY COMPLETED RISK ACTIONS TO APPROVE/ADOPT AS A CONTROL WITH LEAD OFFICER:</u></p>
Linked Actions	Progress Bar
RP-SR011 Arkwood Development Limited	0%

Risk Name & Code	SR012 Brexit	Risk Owner	Organisational Development (A2); Syddall, Steven (BM - ASSET); Johnson, Deb (BM - CMP); Reader-Sullivan, Julie (BM - ECO-GRO); Wilson, Nick (BM - FIN); Lamb, Matt (BM - GROWTH&R); Monger, Leanne (BM - HHC); Main, Rob (BM - HSD); Norton, Matthew (BM - PPO); Ward, Phil (BM - R&B); Kohli, Sanjiv (SLT); Piper, Tracey 1 Admin		
Risk Description	Inadequate processes in place for the identification and management of Brexit implications	Assigned To	Heather Grover 1 Admin		
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Risk Review Period	Quarterly	
			Last Review Date	Target Date	Management
			17-Dec-2018	29-Mar-2019	Control Pending

BM Commentary - Risk Remaining in Red Status	Maintained in red status due to uncertainty of the pending deal. Once further information is available, a further review will be undertaken with BM's
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Risk Officer Review	RB - 25 Sept 2018 - TM/NC/EB/HG/TA
Vulnerability	Economic downturn Regulatory impact Financial Implications Uncertainty Reputational Resource demand Service Delivery
Trigger/Event	<p><u>Economic downturn</u> Cost of goods and services increase Lack of investment from businesses in the lead up to Brexit due to uncertainty in the economy Weak currency due to 'drawn out negotiations of brexit'</p> <p><u>Regulatory impact</u> New legislation/guidance that will be enforced as part of Brexit will cause major delays</p> <p><u>Financial Implications</u> Lack of funding for EU related initiatives</p> <p><u>Uncertainty</u> Brexit negotiations resulting in uncertainty (e.g. No Deal) Delaying Article 50 leading to uncertainty Leadership contest causing further delay on outcome of Brexit</p> <p><u>Reputational</u> Lack of planning</p> <p><u>Resource Demand</u> Lack of resource (financial and staffing) to maintain services resulting from Brexit</p> <p><u>Service Delivery</u> Lack of awareness of the implications of any Brexit scenario (not sharing crucial data internally) Lack of business continuity planning for any Brexit scenario Delays in announcements on wider Domestic policies such as social care, public transport, homelessness, waste strategy due to Brexit negotiations still ongoing</p>
Impact/Consequence of Trigger	<p><u>Economic Development</u> Cost of living – food prices higher than the price of inflation. Businesses that are offering offers are not making profits. House prices increases as cost of materials increase making housing unaffordable Increase in zero hours contracts</p> <p><u>Uncertainty</u></p>

	<p>Civil Unrest</p> <p><u>Financial Implications</u> Certain initiatives funded by the EU will no longer continue Impact on farming/agriculture (Funding) Impact on HRA development programme</p> <p><u>Service Delivery</u> Increase in homelessness Increase in those relying on universal credit Legislative changes impact heavily on how the waste management service is delivered</p> <p><u>Resource Demand</u> Lack of workforce in specific roles such as social care, service industry Skills shortage in key industries</p> <p><u>Impact on residents</u> Potential for unrest and increase in hate crime Demographic changes due to shifts in immigration and migration</p>
<p>Measures already in place</p>	<p><u>LEAD OFFICER - T Piper</u> Horizon scanning – look at the key messages relating to Brexit from Central government. Quarterly update reviews with BM’s to update a register of risks and associated mitigating actions to be fed into the strategic risk and maintained in risk log. Update Reports to CMT. Market trend analysis report developed to highlight differences between East and West regions of NSDC and reporting to Growth and Prosperity meetings. Work with NFU to understand implications of Brexit. Ad hoc responses to media. Responsive risk review in light of central government information. Regular updates through engagement with the Local Resilience Forum.</p>
<p>Linked Actions</p>	<p>Progress Bar</p>
<p>RP-SR012 Brexit</p>	<p> 77%</p>

AUDIT & ACCOUNTS COMMITTEE

24 APRIL 2019

COUNTER-FRAUD ACTIVITIES FROM 1 OCTOBER 2018 TO 31 MARCH 2019

1.0 Purpose of Report

1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 28 November 2018.

2.0 Background Information

2.1 An element of the role of the Audit & Accounts Committee is to provide assurance to the Council that its anti-fraud arrangements are operating effectively. In order to do this, counter-fraud activity reports are brought to the Committee twice a year. These reports detail the number of cases detected, amounts lost, the outcome of cases and amounts recovered, together with any other counter fraud work that has been undertaken.

3.0 Counter Fraud Detection

3.1 The Housing Benefit fraud team was transferred to the Fraud and Error Service at the Department for Works and Pensions on 1 December 2015.

3.2 Any housing benefit cases identified as potentially fraudulent are referred to the Fraud and Error Service at the DWP for investigation.

3.3 Referral procedures have been established and since 1 December 2015, 170 potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation.

4.0 Other Counter-Fraud Work

4.1 During January 2019 Assurance Lincolnshire facilitated a refresh of the Fraud Risk Register to ensure that all fraud risks are assessed and mitigated where possible. Eighteen areas of the Council's activities are considered to be at the risk of fraud, four of which have sub-categories within them. The report containing the detailed Fraud Risk Register is elsewhere on this agenda.

4.2 An internal audit on Counter Fraud was commenced during the period to look at:

- Ensuring fraud risks are identified
- Review of the Counter Fraud Strategy and associated policies
- Assessing the recourse invested and its proportionality to the level of risk.

4.3 At point of writing this report, the final report had not been completed, but will be presented within the Internal Audit progress report to the next committee.

5.0 The National Fraud Initiative (NFI)

- 5.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.
- 5.2 During 2018/19 1,160 Council Tax the single person discount awards were investigated. Of the matches generated by NFI, 60 cases of suspected fraud were identified amounting to £17,226.
- 5.3 In addition to single person discount, a number of other data sets are currently being reviewed in this round of NFI including:- housing benefit awards, localised Council Tax support awards, taxi and alcohol licences, Council house tenancy records, and Council payroll records.
- 5.4 Through the other data sets mentioned in paragraph 5.3, 2,180 matches have been processed, of which 3 cases of suspected fraud have been identified with a total value of £288.
- 5.5 The 2018/19 exercise commenced in February 2019 following the release of the single person discount matching data. This exercise comprises of Accounts Payable, Payroll, Personal Alcohol licences, Taxi drivers licences, Right to buy, Housing tenants, Housing waiting list, Housing benefits, Council Tax reduction scheme, Single person discounts and the Electoral roll.

6.0 Future Counter Fraud Work

- 7.1 Work is ongoing to identify proactive counter-fraud work that can be undertaken. This work will be carried out in conjunction with Assurance Lincolnshire.

8.0 Equalities Implications

- 8.1 There are no equality implications, as all cases of fraud and error are investigated, regardless of the characteristics of the persons involved.

9.0 Financial Implications (FIN19-20/399)

- 9.1 Overpayments can be a serious drain on the Council's resources, whether due to fraud or error. Work undertaken to prevent and detect fraud and error and to reclaim overpayments can support the Councils' budget at a time of funding cuts.
- 9.2 Funding for counter-fraud work can be found from savings made in the cost of external and internal audit.

10.0 Financial Comments

- 10.1 It is important that the Council establishes and maintains robust referral mechanisms with the Fraud and Error Service to ensure that potentially fraudulent housing benefit claims continue to be investigated and that sanction activity continues to take place to act as a deterrent.
- 10.2 Publicity is important as a deterrent, and controls in place must be maintained to detect and prevent potential frauds.
- 10.3 The NFI data matching exercise requires resources to investigate the potential matches, and it is a government requirement that Councils take part.

11.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

To promote a strong counter-fraud culture, it is important that Members are aware of the Council's response to fraud and the results of any actions taken.

Background Papers

Fighting Fraud & Corruption Locally Strategy – available on the Council's website

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

Nick Wilson
Business Manager - Financial Services

AUDIT & ACCOUNTS COMMITTEE

24 APRIL 20189

FRAUD RISK ASSESSMENT

1.0 Purpose of Report

1.1 This report is to inform Members of the update of the Fraud Risk Register undertaken during January 2019.

2.0 Background Information

2.1 A fraud risk assessment was first undertaken in June 2014 and a fraud risk register produced and presented to the Committee.

2.2 The fraud risks are reassessed periodically and the register updated. The amended Fraud Risk Register as at January 2019 is attached at Appendix A.

3.0 Work Undertaken

3.1 All of the services provided by the Council have been reviewed to understand whether there are any new areas where fraud might occur. The types of fraud have also been considered to determine if there are any new risks to the Council.

3.2 The risk scores were then reviewed to determine whether the impact or likelihood of any of the frauds occurring has changed since the last review.

3.3 The number and values of transactions have been updated to reflect the 2017/18 financial year. Estimates of potential fraud losses have been calculated based on rates of fraud identified by the National Fraud Authority.

3.4 The final part of the exercise was to consider whether any new controls had been put in place during the year, whether the further controls identified last time had been implemented and whether there were any new controls that could be put in place to further reduce the risk.

4.0 Results

4.1 Eighteen areas of the Council's activities are considered to be at the risk of fraud, four of which have sub-categories within them. The type of risk is dependent on the service. Based on the existing controls, of those risks, seven are currently considered to be medium risk (amber) and fifteen are low risk (green).

4.2 During the assessment process, it was felt that none of the risk scores needed to change from the assessment carried out during February 2018.

4.3 The further actions that have been implemented up to February 2019 which will help to mitigate fraud risks include:

Council Tax Support Scheme:

- Closer working – Council Tax and Housing to share intelligence and identify potential fraud opportunities

Council Tax Fraud:

- Closer working – Council Tax and Housing to share intelligence and identify potential fraud opportunities

Credit and Income Fraud:

- Discussions at Revenues and Benefits team meetings to raise fraud awareness in this area

4.4 There are a few new actions that need to be put in place:

- CPPRs require updating to reflect from March 2019 the Council will no longer have a dedicated procurement officer in post and the function will be provided by Welland Procurement;
- Future housing capital expenditure managed by Newark and Sherwood Homes is to be channelled through the Council's Proactis e-tendering platform;
- Annually the Business Manager – Commercialisation and Major Projects will review the contract management performance of a selection of key contracts;

4.5 Twelve of the risks have achieved their target score. For the ten that are still above the target score, in most cases this is due to the Council being able to do little to prevent the likelihood of the fraud occurring.

4.6 The Fraud Risk Register will be updated and reported to the Committee regularly. The risks, controls, current risk scores and target scores, and further actions, will be added to the Covalent system to ensure regular monitoring is undertaken. Progress on implementing further actions will be reported in the bi-annual Counter-Fraud activity report to the Committee.

5.0 Equalities Implications

5.1 There are no equality implications in the report.

6.0 Financial Implications (FIN19-20/2557)

6.1 The further actions detailed in the Fraud Risk Register can be achieved without impacting on current Council budgets. Fraud, if it occurs, could be a serious drain on the Council's resources.

7.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

To promote a strong counter-fraud culture, it is important that Members are aware of the Council's fraud risks and the controls in place to mitigate them.

Background Papers

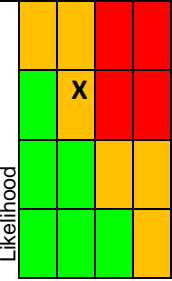
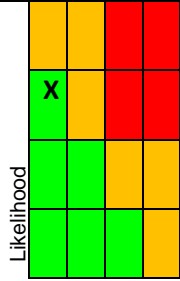
None

For further information please contact Nick Wilson on Ext 5317

Nick Wilson
Business Manager – Financial Services

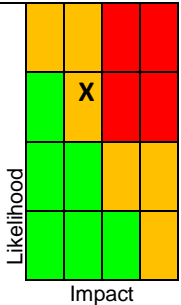
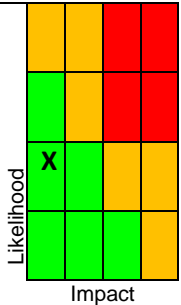


Newark & Sherwood District Council – Fraud Risk
Assessment (April 2019)

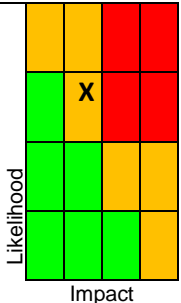
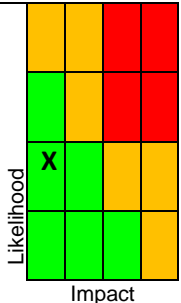
Fraud Risk	Key Controls and Actions	Risk Owner	Current Risk Score	Target Risk Score	Current Assurance Status	Exposure
1. HOUSING BENEFIT FRAUD						
<p>Any fraud linked to the false claiming of housing benefit:</p> <ul style="list-style-type: none"> False applications False documents Failing to notify change 	<p>Controls in place</p> <ul style="list-style-type: none"> Housing Benefit Anti-Fraud Strategy Annual participation in National Fraud Initiative Other data matching initiatives in place – real time information reviewed frequently (pensions, earnings & employment records (against universal credit etc) HBMS – Government housing benefit matching scheme Fraud investigators now transferred to FES – DWP (FES) use prosecution, caution & admin penalties – NSDC no longer have powers Key controls in the housing benefit application process – prevention & detection Authorised officer powers – access to employers, landlords, banks & building 	<p>Resources Directorate</p> <p>Business Manager Revenues & Benefits</p>			<p>AMBER</p>	<p>Since December 2016 : 6 cases confirmed as fraud & sanctioned (Other cases still being investigated)</p> <p>Value: £13173 (HB) £394 (CTS)</p> <p>Housing Benefit bill for 2017/18 : £24.8m</p> <p>Forecast for 2018/19 - £25m</p> <p>National Fraud Authority potential annual fraud losses = 0.7% or £174k</p>

	<p>societies</p> <ul style="list-style-type: none"> • Daily ATLAS updates (including UC) notifications/updates to system • Fraud awareness training to social landlords • Ad hoc communication to social landlords • Financial Regulations • Experienced benefits staff • Combined database with revenues • Only accept original documents in support of claims • Subscription to National Anti-Fraud Network • DWP led Housing Benefit review • Communications & publicity • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Council Tax and Housing teams sharing intelligence to identify potential fraud <p>Further actions required</p> <ul style="list-style-type: none"> • <i>Need to ensure sanction figures obtained from DWP for HB cases in our area</i> 					
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2. COUNCIL TAX SUPPORT SCHEME

<ul style="list-style-type: none"> False applications Failure to notify change in circumstances 	<p>Controls in place</p> <ul style="list-style-type: none"> Most controls are the same as Housing Benefits Anti-Fraud & Corruption Strategy Council Tax Support policy Counter-fraud page on website detailing how public can report fraud Financial Regulations Whistleblowing Policy County-wide Single Person Discount review completed LCTS included in National Fraud Initiative (data matching) from October 2016 Closer working – Council Tax and Housing share intelligence and identify potential fraud opportunities (sharing intelligence – informal arrangement) <p>Further action required</p> <ul style="list-style-type: none"> <i>Need to consider use of sanction powers for LCTS – under Local Government Finance Act 1992</i> 	<p>Resources Directorate</p> <p>Business Manager Revenues & Benefits</p>			<p>AMBER</p>	<p>1 confirmed fraud case since December 2016 (joint case with DWP)</p> <p>Annual level of council tax support paid : £6.4m</p> <p>Forecast for 2018/19 - £6.4m</p> <p>National Fraud Authority potential annual fraud losses = 0.7% or £44.8k</p>
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3. COUNCIL TAX FRAUD

<ul style="list-style-type: none"> • Single person discount • Avoidance of liability through any other fraudulent claim for council tax discount or exemption • New properties not on the list: <ul style="list-style-type: none"> ○ built without planning permission ○ No notification of properties built and occupied ○ Or built and substantially complete 	<p>Controls in place</p> <ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • National Fraud Initiative – data matching • Monthly monitoring of council tax base • Liaising with the university – access to student lists • Application checks • Annual review of students continued attendance on course • Check electoral register • Information from planning re Developments where full planning not required • Checks on documentary evidence for exemptions • Visual inspection • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Counter-fraud page on website detailing how public can report fraud • County-wide Second Person Discount review completed <p>Further action</p> <ul style="list-style-type: none"> • <i>Closer working – Council Tax and Housing to share intelligence and identify potential fraud opportunities</i> 	<p>Resources Directorate</p> <p>Business Manager - Revenues & Benefits</p>			<p>AMBER</p>	<p>Annual Council Tax Income collected : approx. £73m</p> <p>National Fraud Authority potential annual fraud losses : 4% or £2.924m (NSDC share = £290k)</p> <p>Value of SPD fraud confirmed since December 2017 : £17226.39 (60 fraud cases and 9 errors)</p>
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4. NNDR FRAUD

<ul style="list-style-type: none"> • Failure to declare occupation • Payment using false bank details • Companies going into liquidation then setting up as new companies • Avoidance of liability through fraudulent claim for discount or exemption • Empty rate avoidance 	<p>Controls in place</p> <ul style="list-style-type: none"> • Up to date Financial Regulations • Up to date Anti-Fraud & Corruption Strategy • Ensure liable person identified for each assessment on the list • Information sharing with other Business Units • Inspections of occupied properties • Checking empty properties • Information from Landlords or letting agents • Public complaints – reports to valuation office • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Register of Gifts & Hospitality/Register of Interests • Supporting evidence requested • Counter-fraud page on website detailing how public can report fraud • Use of Analyse Local to monitor threats • Shared inspection resource – NDR inspector with BDC to check properties where no appeal has been made • More staff involved – 	<p>Resources Directorate</p> <p>Business Manager - Revenues & Benefits</p>			<p>AMBER</p>	<p>Annual NNDR income collected - approx. £41m</p> <p>National Fraud Authority potential annual fraud losses : 3.76% or NSDC share £154.1k</p>
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	<p>eyes on NDR</p> <p>Further action</p> <ul style="list-style-type: none"> Use analytical approach to target main business rate payers (20-30 in number that make up 90% of IRRV) in line with best practice 					
5. CREDIT INCOME AND REFUND FRAUD						
<p>e.g.</p> <p>Council tax NNDR Rents</p> <ul style="list-style-type: none"> Suppression of notification of debt to be raised Improper write-off Failing to institute recovery proceedings Switching or transferring arrears manipulation of credit balances Payment using false / fraudulent instrument then re-claim of refund Employee based; false payment then 	<p>Controls in place</p> <ul style="list-style-type: none"> Up to date Financial Regulations Up to date Anti-Fraud & Corruption Strategy Debit/credit card payments monitoring Review of unusual activity Refund to original card/bank account where appropriate Authorisation procedures & levels Checking against other accounts (Council Tax etc.) to ensure no other money owed to NSDC Staff counter-fraud training Audit trail/personal logins Reconciliations Budgetary controls Write off policy Debt recovery procedures Supervisory controls 	<p>Resources Directorate</p> <p>Business Manager - Revenues & Benefits</p>			<p>GREEN</p>	<p>Total value of refunds made in 2017/18 : £3.56m</p> <p>Total value of write-offs in 2017/18 : £441k</p> <p>(Refunds and write-offs relating to NDR and Council Tax)</p>

request for refund	<ul style="list-style-type: none">• Review of credit balances and suspense items• Internal Audit reviews• Whistleblowing Policy• Counter-fraud page on website detailing how public can report fraud• Counter Fraud details on intranet• Financial Regulations training for all appropriate staff – completed• Introduction of cashless system• Cash limits in place• Follow up payment sources <p>Further action</p> <ul style="list-style-type: none">• <i>Revenue and Benefits Team to discuss if any fraud risks in this area</i>					
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6a. PROCUREMENT AND CONTRACT FRAUD (CONTRACTS)

<ul style="list-style-type: none"> • Bid rigging & cartels - including cover pricing • Bribery of officers or Members involved in contract award • Collusion between officers and contractors involved in tendering • Violation of procedures • Manipulation of accounts • Failure to supply • Failure to supply to contractual standard • Inflating performance information to attract greater payments 	<p>Controls in place</p> <ul style="list-style-type: none"> • NAFN & fraud alerts • Contract procedure rules • Up to date Financial Regulations • Contract management • Contract Terms & Conditions • Equifax check on accounts • Finance team check on accounts for large contracts • Evaluation teams for award of contracts - individual scoring • Code of Conduct • Whistleblowing policy • OJEU regulations • Register of Gifts & Hospitality/Register of Interests • Secure receipt and storage of tenders • Anti-Fraud & Corruption Strategy • Staff counter-fraud training • Internal Audit reviews • Separation of duties • Contract management training • Advertisement of contract opportunities • Transparency Code 2014 and Transparency agenda • Counter-fraud page on 	<p>Resources Directorate</p> <p>Business Manager – Financial Services</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>AMBER</p>	<p>Total annual supplier spend 2017/18 – approx. £30.1m. This value can fluctuate depending on construction projects at the time</p> <p>National Fraud Authority - potential annual fraud losses : 1% (or £301k)</p>
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	<p>website detailing how public can report fraud</p> <ul style="list-style-type: none"> • Counter Fraud section on new intranet • CIPFA guidance – Managing the Risk of Procurement Fraud • Procurement guidance on Contract Management on intranet • Invoice reconciliation procedures for key utility bills (gas/electricity) in Admin Services BU <p>Further actions required</p> <ul style="list-style-type: none"> • <i>CPPRs require updating to reflect that from March 2019 the Council will no longer have a dedicated procurement officer in post and the function will be provided by Welland Procurement</i> • <i>Future housing capital expenditure managed by Newark and Sherwood Homes is to be channelled through the Council's Proactis e-tendering platform</i> • <i>Annually the officer responsible for Commercialisation and Major Projects will review the contract management performance of a selection of key contracts. Deployment of Procontract system including controls and full audit trail</i> 					
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6b. PROCUREMENT AND CONTRACT FRAUD (PAYMENTS)

<ul style="list-style-type: none"> • Credit cards & procurement cards • False invoices & claims • Duplicate payments (false submission) • Senior executive fraud • BACS fraud - fraudulent change of bank details • Mandate fraud • Fake details for internet payments • Claiming petty cash for personal items • Records or methods of payment 	<p>Controls in place</p> <ul style="list-style-type: none"> • Up to date Financial Regulations • Up to date Anti-Fraud & Corruption Strategy • National Fraud Initiative • Whistleblowing Policy • Payment authorisation process • Reconciliations • Audit Trail/personal logins • Segregation of duties • Check/approval on changes to creditor details (to prevent mandate fraud) • Budgetary control • Card security features • Ownership for cards identified • Staff counter-fraud training • NAFN fraud alerts • Experienced staff • Internal Audit reviews • Transparency reporting • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Financial Regulations training for all appropriate staff – completed 	<p>Resources Directorate</p> <p>Business Manager - Financial Services</p>			<p>AMBER</p>	<p>Total annual supplier spend 2017/18 – approx. £30.1m. This value can fluctuate depending on construction projects at the time</p> <p>National Fraud Authority - potential annual fraud losses : 1% (or £301k)</p>
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7. BANK FRAUD

<ul style="list-style-type: none"> False instruments: misuse of cheques alteration of existing cheques Mandate, Direct Debit, Standing Order fraud on Council's bank account Theft of customer card data 	<p>Controls in place</p> <ul style="list-style-type: none"> Up to date Financial Regulations (and training) Up to date Anti-Fraud & Corruption Strategy Bank reconciliation Control accounts Cheque signatories – authorisation Letter from banking/ID to withdraw cash Audit trail/personal logins Verify changes of bank account details using original contact information & audit trail Security checks on standing orders Staff counter-fraud training Internal Audit reviews Whistleblowing Policy Separation of duties Register of Gifts & Hospitality/Register of Interests NAFN fraud alerts Counter-fraud page on website detailing how public can report fraud Counter Fraud section on intranet <p>Further actions required:</p> <ul style="list-style-type: none"> Hosted system for PCIDSS compliance 	<p>Resources Directorate</p> <p>Business Manager - Financial Services</p>			<p>GREEN</p>	<p>2017/18 - processed by bank:</p> <ul style="list-style-type: none"> 6606 debit transactions 75081 credit transactions
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8. INVESTMENT FRAUD

<ul style="list-style-type: none"> Fraudulent misappropriation of assets Loss through breach of procedures False instruments 	<p>Controls in place</p> <ul style="list-style-type: none"> Treasury Management Strategy Investment procedures Authorisation procedures for investments & loans Treasury Management advisers Suitability checks on investments Segregation of duties Regular independent supervision Audit trail of investments & personal logins Staff counter-fraud training Financial Regulations (and training) Anti-Fraud & Corruption Strategy Internal Audit reviews Whistleblowing Policy Separation of duties Register of Gifts & Hospitality & Register of Interests 	<p>Resources Directorate</p> <p>Business Manager - Financial Services</p>			<p>GREEN</p>	<p>Average level of investment for 2017/18 approx. £29m (average)</p>
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9a. ASSETS (LAND AND PROPERTY)

<ul style="list-style-type: none"> Selling asset for less than market value Collusion between staff and purchaser – may include provision of insider knowledge (e.g. planning, leases & covenants) 	<p>Controls in place</p> <ul style="list-style-type: none"> Asset Management Plan Asset register Segregation of duties Independent valuation or auction Committee scrutiny and authorisation Financial Regulations Anti-Fraud & Corruption Strategy Staff counter-fraud training Internal Audit reviews Whistleblowing Policy Register of Gifts & Hospitality/Register of Interests Credit checks on potential purchasers Counter-fraud page on website detailing how public can report fraud Counter Fraud section on intranet Spot checks of council housing HRA Development and disposal programme 	<p>Resources Directorate</p> <p>Business Manager - Asset Management</p> <p>HRA Director - Safety</p> <p>Business Manager - Strategic Housing</p> <p>Newark & Sherwood Homes</p>			<p>GREEN</p>	<p>Net book value of Land & Buildings (not including Council Houses) : approx. £74.2m</p> <p>ICT equipment value - £1.035m</p> <p>Net book value of Council Dwellings £267.7m</p>
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9b. ASSETS (EQUIPMENT)

<ul style="list-style-type: none"> Selling asset for less than market value Collusion between staff and purchaser Disposal of assets no longer required by the council 	<p>Controls in place</p> <ul style="list-style-type: none"> Asset Disposal policy Asset register Financial Regulations Anti-Fraud & Corruption Strategy Staff counter-fraud training Segregation of duties – includes systems administration, raising and authorising of financial procurements Internal Audit reviews Whistleblowing Policy Register of Gifts & Hospitality & Register of Interests Counter-fraud page on website detailing how public can report fraud Counter Fraud section on intranet Financial Regulations training for all appropriate staff – completed verification of RTB valuations 	<p>Resources Directorate</p> <p>Business Manager - ICT</p>			<p>GREEN</p>	<p>Net book value of vehicles, plant and equipment = approx. £4.8m</p>
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10a. EMPLOYMENT (RECRUITMENT FRAUD)

<ul style="list-style-type: none"> False identity Immigration (no right to work or reside) False qualifications Failing to disclose previous convictions 	<p>Controls in place</p> <ul style="list-style-type: none"> National Fraud Initiative Code of Conduct HR policies –recruitment and selection policy incorporating DBS Code of practice and safeguarding requirements where appropriate. Pre-employment checks by HR including identity verification and medical screening 	<p>Governance and OD Directorate</p> <p>Business Manager - HR & Legal</p>			<p>GREEN</p>	
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10b. EMPLOYMENT (PAYMENT FRAUD)

<ul style="list-style-type: none"> Creation of non-existent employees Unauthorised changes to payroll Redirection or manipulation of payments False sick claims Not working required hours Not undertaking required duties Working for multiple employers (without informing manager) 	<p>Controls in place</p> <ul style="list-style-type: none"> HR policies – sickness, Appraisals, disciplinary capability and flexi time scheme. Financial Regulations Anti-Fraud & Corruption Strategy Separation of duties between HR, Payroll & Business Managers Contracts Access controls Management supervision Authorisation of claims Budgetary control Exception reports produced and reviewed Audit trail/personal logins Any employee changes 	<p>Resources Directorate</p> <p>Business Manager - Financial Services</p>			<p>GREEN</p>	<p>Total cost of payroll including expenses payments 2017/18 = £11.3m</p> <p>National Fraud Authority potential annual fraud losses = 0.2% or £22k</p> <p>Average number of employees paid monthly – 422</p>
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<ul style="list-style-type: none"> • False declarations of mileage • False documentation to support allowances • Breaches of authorisation and payment procedures • Abuse of time • Inappropriate acceptance of gifts or hospitality • Non-declaration of interests 	<p>signed off by HR Manager</p> <ul style="list-style-type: none"> • Reconciliation of payroll to BACS payments • Probation periods • Register of Gifts & Hospitality/ Register of Interests • Medical certification for sickness • Request forms to request permission to undertake additional employment • Secondary employment register • Training for managers on disciplinary process • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Financial Regulations training for all appropriate staff – completed <p>Further actions required</p> <ul style="list-style-type: none"> • <i>To implement controls to reduce likelihood of false claims</i> 					
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11. INSURANCE FRAUD

<ul style="list-style-type: none"> False insurance claims 	<p>Controls in place</p> <ul style="list-style-type: none"> Financial Regulations Anti-Fraud & Corruption Strategy Claims Handlers Experienced staff Alerts on current national trends to insurance team Prior year information on data base to match to previous claims Staff counter-fraud training Internal Audit reviews Whistleblowing Policy Counter-fraud page on website detailing how public can report fraud Financial Regulations training for all appropriate staff – completed National Fraud Initiative reports 	<p>Resources Directorate</p> <p>Business Manager - Financial Services</p>			<p>GREEN</p>	<p>Number of claims received 2017/18 = 31</p> <p>Total value of claims settled 2017/18 = £15788</p>
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12. MONEY LAUNDERING

<ul style="list-style-type: none"> Using the Council to hide improper transactions - linked to organized crime 	<p>Controls in place</p> <ul style="list-style-type: none"> Staff Awareness Money Laundering policy Financial Regulations Training of officers Upper limit for cash transactions : £5,000 Whistleblowing Policy Cashless offices Legal checks on Right to 	<p>Resources Directorate</p> <p>Business Manager - Financial Services</p>			<p>GREEN</p>	
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	<ul style="list-style-type: none"> Buy purchases Additional controls over NNDR and Council Tax refunds (check payment sources) <p>Further actions required</p> <ul style="list-style-type: none"> Develop procedure to check financial standing of new businesses Potential for exercise to check to listings to ensure not dealing with contractors with links to serious and organised crime Update of Money Laundering Policy 					
13a. ELECTORAL FRAUD (ELECTIONS)						
<ul style="list-style-type: none"> Fraudulent voting Fraudulent acts by poll clerks & presiding officers at polling stations Fraudulent acts by postal vote opening staff Fraudulent acts by verification / count staff 	<p>Controls in place</p> <ul style="list-style-type: none"> Integrity Plan (Registrations and Elections) Anti-Fraud & Corruption Strategy Supervisory roles at counts Postal votes counts supervised and more rigorous controls More focus on preventing false applications Access controls at polling stations & counts Ballot box controls Ballot paper account Insurance 	<p>Governance and OD Directorate</p> <p>Business Manager - Democratic Services</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	GREEN	<p>Any incidents would be raised with the Police via their Single Point of Contact</p>

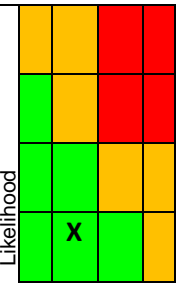
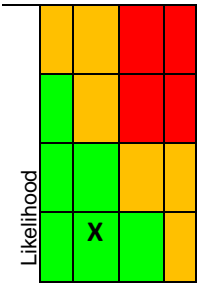
	<ul style="list-style-type: none"> • Pre-employment checks • Supervisory checks • Application forms scrutinised before processing • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • SPOC at Police 					
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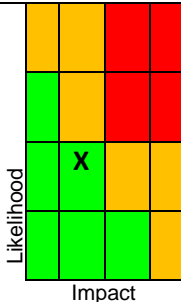
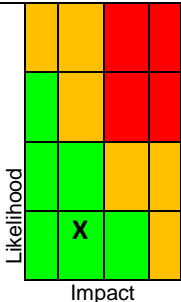
13b. ELECTORAL FRAUD (ELECTORAL REGISTRATION)

<ul style="list-style-type: none"> • Fraudulent applications for individual electoral registration (IER) • Fraudulent application for absent voting (postal & proxy) • Fraudulent acts by staff employed as canvassers 	<p>Controls in place</p> <ul style="list-style-type: none"> • Integrity Plan (Registrations and Elections) • Anti-Fraud & Corruption Strategy • Verification process through the IER digital service • Supervisory checks on verification failures • Request for evidence letters sent • Application forms scrutinised before processing • Confirmation letters sent to successful applicants 	<p>Governance and OD Directorate</p> <p>Business Manager - Democratic Services</p>			<p>GREEN</p>	<p>Any incidents would be raised with the Police via their Single Point of Contact</p>
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14. DEVELOPMENT MANAGEMENT						
<p>Corruption and collusion including:</p> <ul style="list-style-type: none"> • Inducements • conflict of interest/bribery • Planning - S106, affordability and other areas where officers are checking compliance & fines issued etc • Using Planning Process to increase land values • False 	<p>Controls in place</p> <ul style="list-style-type: none"> • Supervisory checks by Team Leaders/Manager on planning applications • One to one discussion with all case officers • Open & visible process all cases open to Team leaders & peers (due to past issues and high profile) • Public scrutiny • Planning Committee scrutiny • Pre application advice • Report for all applications and pre-application advice with explanation of grant or refusal • Sign off of completion by 	<p>Growth and Regeneration Directorate</p> <p>Business Manager - Development Management</p>			<p>GREEN</p>	<p>Number of planning applications determined 2017/18 : 1027</p>

<p>representation</p>	<p>Business Manager Development or Senior Planner</p> <ul style="list-style-type: none"> • Ombudsman (3rd party scrutiny)-planning appeal system • Reconciliation of planning fees • Separation of duties in the fee procedure (receipting, banking, planning application) • Audit trail on fee income • Significant enforcement action-reporting & sign off • Section 106 – separation of duties, legal agreement, triggers for payment monitored, monitoring group, reconciliation • Constitution including Members conduct re planning • Regular communication with affected parties throughout the process where appropriate • Register of Gifts & Hospitality/Register of Interests • Financial Regulations • Anti-Fraud & Corruption Strategy • Staff counter-fraud training • Code of Conduct (officers & Members) • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how 					
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	<ul style="list-style-type: none"> public can report fraud Counter Fraud section on intranet 					
15. ECONOMIC & THIRD SECTOR FRAUD						
<p>Any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non-governmental organization:</p> <ul style="list-style-type: none"> Fake applications Collusion Misuse of funds Failure to deliver agreed service 	<p>Controls in place</p> <ul style="list-style-type: none"> Substantiate authenticity of application Regular monitoring of delivery Check & authorisation of grant & loan claims Separation of duties between grant or loan approval & sign off Regular review of loan processes takes place Grant criteria Quotes for work Grant assessment Financial Regulations Anti-Fraud & Corruption Strategy Staff counter-fraud training Internal Audit reviews Whistleblowing Policy External legal advice Retentions based on performance Counter-fraud page on website detailing how public can report fraud Counter Fraud section on intranet 	<p>Deputy Chief Executive</p>			<p>GREEN</p>	<p>National Fraud Authority potential annual fraud losses : 1% or £9k</p> <p>Total Think BIG loans amount outstanding to March 2019 - £514k</p> <p>Total Think BIG loans granted - £1.637m</p> <p>Total Disabled Facilities Grants awarded 2017/18 : £549k</p> <p>Total grants awarded to voluntary sector 2016/17 = £147k</p>

16. HOUSING FRAUD						
<ul style="list-style-type: none"> • Fraudulent application - false information • False homelessness applications - false information • Key selling • Fraudulent succession • Unlawful sub-letting • Using property as second home • Right to Buy - fraudulent application, valuation, etc. 	<p>Controls in place</p> <ul style="list-style-type: none"> • NSH Approach to Tenancy Fraud document • National Fraud Initiative • Form of identification required from applicants • Proof of residency required • Documents obtained to support claim • Checks on information provided • Summary check at allocation stage • Declaration and future changes signed by applicant • Confirmation of all information e.g. previous tenancies • Robust tenancy agreement • Robust sign up-info to tenant re rules • Routine tenancy inspections • Using and sharing intelligence – across council • Publicity of impact and consequences • Eviction powers • Home visits • Photographs • Acting on hearsay 	<p>Safety Directorate/ Newark & Sherwood Homes</p> <p>Chief Executive Newark & Sherwood Homes</p> <p>Business Manager - Strategic Housing</p> <p>Business Manager - Housing Options</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>GREEN</p>	<p>Sub-letting tenancy fraud cases in 2017/18 - 1</p> <p>No of Council houses approx. - 5469</p> <p>Annual rent income approx. - £21.6m</p>

	<p>evidence</p> <ul style="list-style-type: none"> • Acting on information from other bodies such as police • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Register of Gifts & Hospitality/Register of Interests • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on new intranet • Management Agreement • Robust Allocation Scheme • Meetings between NSDC & NSH <p>Further action</p> <ul style="list-style-type: none"> • <i>Develop relationship with between NSH & Council Tax – e.g. single person accounts, to enhance sharing of information in order to have a collaborative approach to fraud detection</i> • <i>Housing Options to reviews SLA's in place to ensure 'counter fraud' is incorporated into these</i> • <i>Inclusion of the annual number of tenancy fraud cases in the Council's</i> 					
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approved performance monitoring framework scrutinising NSH – this is reported to Members through the Homes and Communities Committee

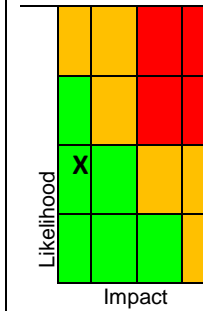
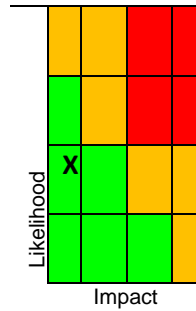
17. FRAUDULENT USE OF COUNCIL ASSETS

Controls in Place

- Financial Regulations
- Anti-Fraud & Corruption Strategy
- Guidance for Dealing with Irregularities
- Management controls
- Induction process
- Security policy
- User reports e.g. internet, telephone (procurement team monitor usage of ICT assets for potential abuse)
- Internet use policy
- Access controls
- Software audit facility
- Code of conduct

All Directorates

All Directors & Business Managers



GREEN

	<ul style="list-style-type: none"> • Inventory checks • Complex passwords • Separation of duties – eFinancials account set up • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Counter Fraud section on intranet 					
18. CYBER FRAUD						
<ul style="list-style-type: none"> • Risk of ransomware attack • Systems unavailability leading to: • reputation loss • service delivery loss including inability to process BACS 	<p>Controls in Place</p> <ul style="list-style-type: none"> • IPS/IDS implemented, along with Geo location blocking • Firewalls, email & internet detection software in place • Education programme for all staff with regular reminders • Quarterly scans performed on network • Incident Response Plan in place • Mobile Device Management <p>Further actions required</p>	<p>Customers Directorate</p> <p>Business Manager - ICT</p>			AMBER	<p>This area remains emerging and rapidly evolving risks – difficult to assess exposure</p>

		<ul style="list-style-type: none">• <i>Gain Cyber Essentials accreditation</i>					
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AUDIT & ACCOUNTS COMMITTEE**24 APRIL 2019****WORK PLAN**

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
24 April 2019	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 2018/19	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
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	External Audit Plan for 2018/19 Accounts	TBC (Mazars)	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	
19 June 2019	Biannual Review of the Effectiveness of the Internal Audit Function	Nick Wilson	To consider whether the Internal Audit function is operating effectively and produce

			an action plan to address any required improvements
TBC June 2019	Training session on Statement of Accounts	Andrew Snape	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
24 July 2019	Treasury Management Outturn Report 2018/19	Andrew Snape	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	External Audit Annual Governance Report 2018/19	TBC (Mazars)	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 2018/19 & Annual Governance Statement	Nick Wilson	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 2018/19	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 2018/19	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	Nick Wilson	Gain assurance that the Internal Audit function is operating effectively and that an action plan is in place to address any required improvements
	Audit Committee Work Programme	Nick Wilson	
27 November 2019	Treasury Performance half-yearly report	Andrew Snape	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy
	Internal Audit Progress Report 2018/19	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 2017/18	TBC(Mazars)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
5 February 2020	Draft Treasury Strategy 2020/21	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 2020/21	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2020/21	Andrew Snape	The investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government.
	Internal Audit Progress Report 2020/21	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 2018/19	John Cornett (KPMG)	Gain assurance that claims and returns have been managed appropriately,
	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 2020/21	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	
22 April 2020	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
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