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NG24 1BY*

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Tuesday, 17 November 2020

Chairman: Councillor Mrs S Michael

Members of the Committee:

**Councillor Mrs B Brooks
Councillor M Brown
Councillor R Crowe
Councillor D Cumberlidge
Councillor Mrs M Dobson**

MEETING: Audit & Accounts Committee

DATE: Wednesday, 25 November 2020 at 10.00 am

**VENUE: Broadcast from Castle House, Great North Road,
Newark, Notts, NG24 1BY**

You are hereby requested to attend the above for the purpose of transacting the business on the Agenda as overleaf.

Attendance at this meeting and public access will be by remote means due to the Covid-19 Pandemic. Further details to enable remote access will be forwarded to all parties prior to the commencement of the meeting.

If you have any queries please contact Karen Langford on Karen.Langford@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

Page Nos.

Remote Meeting Details

This meeting will be held in a remote manner in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

The meeting will be live streamed on the Council's social media platforms to enable access for the Press and Public.

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 meeting held on 30 September 2020 4 - 8
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6. Going Concern Status of the Council 41 - 45
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10. Treasury Management 2020-21 Mid Year Report 198 - 212
11. Redmond Review 213 - 217
12. Audit Committee Work Plan 218 - 220
13. 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 Part 1 of Schedule 12A of the Act.

14. Date of Next Meeting

Wednesday 3 February 2021

Agenda Item 4

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** Broadcast from Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 30 September 2020 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor Mrs B Brooks, Councillor R Crowe, Councillor D Cumberlidge
and Councillor Mrs M Dobson

APOLOGIES FOR

ABSENCE: Councillor M Brown (Committee Member)

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

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

The meeting was held remotely, in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

39 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

40 MINUTES OF THE MEETING HELD ON 5 FEBRUARY 2020

That the Minutes of the meeting held on 5 February 2020 be approved as a correct record and signed by the Chairman.

41 ORDER OF BUSINESS

With the agreement of the Committee, the Chairman changed the order of business. Agenda Item 9 was taken after Item 7. The agenda resumed its stated order thereafter.

42 ANNUAL INTERNAL AUDIT REPORT

The Committee considered the Annual Internal Audit Report from Assurance Lincolnshire providing a summary of Internal Audit work undertaken during 2019/2020 to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.

The report ending 31 March 2020 was issued in June having taken into account Covid-19 although there would be greater impact in the next financial year.

AGREED (unanimously) that the Audit & Accounts Committee considered the Annual Internal Audit report and that it be noted.

43 TREASURY MANAGEMENT OUTTURN REPORT 2019/20

The Committee considered the report from the Assistant Business Manager, Financial Services giving Members the opportunity to review the annual Treasury Outturn report to be presented to Council on 13 October 2020.

The Committee noted that there were no breaches to the approved prudential indicators during the period 2019/20.

AGREED (unanimously) that the Treasury Outturn position for 2019/20 be noted.

44 ANNUAL EXTERNAL AUDIT STRATEGY MEMORANDUM 2019/20

The Committee considered the External Audit Strategy Memorandum for the 2019/20 Statement of Accounts work and Value for Money Conclusion provided by Mazars.

The Mazars representative informed the Committee that the report included the reintegration of Newark and Sherwood Homes back to the Council.

AGREED (unanimously) that the Committee noted the External Audit Strategy Memorandum.

45 EXTERNAL AUDITORS' ANNUAL AUDIT COMPLETION REPORT

The Committee considered the External Auditors Annual Audit Completion report from the Business Manager for Financial Services.

The report informed Members that due to Covid-19 the national deadlines for submission of the draft and audited financial statements had been pushed back to 31 August and 30 November respectively.

The Committee were made aware that although the accounts had been audited, final confirmation of an unqualified opinion cannot be concluded until the final report has been commissioned from the external auditors of the Nottinghamshire Pension Fund due to the materiality of the Council's pension liability. Therefore, the conclusions on the Statement of Accounts and Value for Money would be anticipated conclusions and to be finalised in a further report to the November Committee.

AGREED (unanimously) that:

- a) the Committee received the External Auditors Annual Audit Completion Report for 2019/20; and
- b) the Committee noted the adjustments to the audited draft financial statements set out in the report.

46 AUDITED DRAFT STATEMENT OF ACCOUNTS

The Committee considered the report from the Business Manager and Assistant Business Manager for Financial Services to review the Council's audited draft

Statutory Accounts for the financial year ended 31 March 2020.

The report informed the Committee that the audit had identified only one significant misstatement due to an allowance for 2020/21 financial years' provision against revaluation of the business rates debt being held at 31 March 2020. This debt was not held on the balance sheet at that date therefore the provision would not be held and the Committee were aware that all relevant notes were adjusted for the misstatement.

AGREED (unanimously) that:

- a) Members noted the Annual Governance Statement for the financial year ended 31 March 2020; and
- b) Members noted the draft audited Statement of Accounts for the financial year ended 31 March 2020.

47 AUDIT & ACCOUNTS COMMITTEE ANNUAL REPORT

The Committee considered the report from the Business Manager for Financial Services informing Members of the activity undertaken by the Audit and Accounts committee during the 2019/20 financial year.

The report informed the Members that having seen the account for the year, the Committee had discharged its responsibilities as per the Constitution. Having also assessed itself against the CIPFA Practical Guidance for Audit Committees questionnaire, having drawn up an action plan for areas that did not conform to best practice.

The report also explained how the Committee had added value to the organisation, having requested the Internal Audit Process report be clearly set out to inform when Officers are attending the Committee to then gain assurance that areas of identified weakness are being resolved.

A Committee Member questioned a decision previously taken by the Committee not to have an independent member appointed to the Committee. The Deputy Chief Executive, Director of Resources and S151 Officer then referred to the Redmond Review, Sir Tony Redmond's long awaited report on local authority financial reporting and external audit in England which had made a number of robust recommendations, including the creation of a new audit regulator and supports independent members.

AGREED (unanimously) that:

- a) the Committee noted the Audit and Accounts Committee Annual Report's activity within the year and referred on to the Council for noting.

48 INTERNAL AUDIT PROGRESS REPORT

The Committee considered the report from Assurance Lincolnshire providing the Internal Audit Progress report with a summary of Internal Audit work undertaken

during 2020/21 against the agreed audit plan and any remaining reports from 2019/20.

The report provided the latest progress report covering the period up to 31 August 2020 having agreed the Audit Plan for 2020/21 at the February Audit and Accounts Committee, reporting throughout the year on the progress made and if any changes to the plan are requested.

Representatives were available at the meeting to take any questions with regard to Building Control, ICT and Health and Safety.

AGREED (unanimously) that:

- a) the Audit and Accounts Committee considered and commented upon the latest Internal Audit Progress report and approved the extensions to the implementation dates.

49 FRAUD RISK ASSESSMENT

The Committee considered the report from the Business Manager for Financial Services informing Members of the update of the Fraud Risk Register which had been undertaken during February 2020.

The report had reviewed all of the services provided by the Council, highlighting any new areas where fraud might occur as well as the types of fraud in determining if there were any new risks to the Council.

AGREED (unanimously) that the update to the Fraud Risk Register be noted.

50 COUNTER-FRAUD ACTIVITIES FROM 1 NOVEMBER 2019 TO 31 AUGUST 2020

The Committee considered the report from the Business Manager for Financial Services informing Members of counter-fraud activity undertaken since the last update reported on 27 November 2019. The report to Members would have been a bi-annual report, this had changed due to Covid-19.

The report advised the Committee that discussions had taken place with Assurance Lincolnshire in relation to producing a virtual training session, to highlight areas of fraud that Officers should be aware of. This will remind Officers of the “red flags” that they should be mindful of and what action should be taken where these flags are noticed. It was anticipated that this would be deployed to Officers in Q3 of this financial year.

AGREED (unanimously) that the content of the report be noted.

51 URGENCY ITEM TAKEN DURING COVID-19

The report provided the Committee with the urgency decision that had been taken in light of the Covid-19 Pandemic with respect to the Homes England Compliance Audit Report 2019/20 – HRA 5 Year Development Programme.

NOTED the Urgency Item – Minute of Decision taken during the Covid-19 Pandemic.

52 AUDIT COMMITTEE WORK PLAN

The Committee noted the Work Plan, to include a future item with reference to the Redmond Review discussed earlier in the meeting.

53 EXCLUSION OF THE PRESS AND PUBLIC

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 involved the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

54 DATE OF NEXT MEETING

The next meeting would be held on Wednesday 25 November 2020.

Meeting closed at 11.30 am.

Chairman

AUDIT AND ACCOUNTS COMMITTEE

25 NOVEMBER 2020

EXTERNAL AUDITORS' SUPPLEMENTARY LETTER TO ANNUAL AUDIT COMPLETION REPORT

1.0 Purpose of Report

- 1.1 To present Members with the External Auditors Supplementary Letter to the Annual Audit Completion Report, this is attached at Appendix A.

2.0 Background Information

- 2.1 The external auditor issues an Annual Audit Completion Report in compliance with the International Standards on Auditing. The significant findings from the audit are reported in the Annual Audit Completion Report, together with the action taken in respect of these findings. The report also gives the auditor's opinion on the Statement of Accounts and the Value for Money conclusion.
- 2.2 The Annual Audit Completion Report was brought to the last committee along with the draft audited statement of accounts and it was noted that a supplementary letter would be issued to the committee to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report. Attached at appendix A is the letter from Mazars and also attached at appendix B is the full Audit Completion Report for ease of reference.

3.0 Statement of Accounts

- 3.1 The Council's Statement of Accounts for 2019/20 is considered elsewhere on this agenda.
- 3.2 The Audit Completion report – follow up letter identifies that 3 out of the 4 outstanding audit items have been completed with no matters to report. However, at the time of writing this report, the audit area for Pensions is currently still ongoing. This is due to the external auditors of the Nottinghamshire Pension Fund not yet replying to our auditors request for supplementary procedures, on their behalf, for additional verification and therefore our external auditors are unable to gain satisfactory assurance over the net pension liability figure within our accounts.
- 3.3 Due to the above, which is out of the Councils control, the letter also indicates there may be a requirement to insert an 'emphasis of matter' paragraph in their report and the report also states that the auditors are uncertain as to whether or not they will be able to issue their audit report prior to the statutory deadline of 30 November. These matters are discussed further on agenda item 'Statement of Accounts and AGS' section 4.
- 3.4 The management of representation letter requires to be authorised, this isn't anticipated to change as there is already a paragraph in their regarding estimation of uncertainty and this report seeks the committee to approve the letter of representation on behalf of the Council.

4.0 RECOMMENDATIONS that:-

- (a) the Committee receives the External Auditors Annual Audit Completion Report Supplementary Letter for 2019/20;**
- (b) the letter of representation signed by the Director of Resources – S151 Officer and the Chair of the Committee, be approved.**

Background Papers

Nil

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

Nick Wilson
Business Manager - Financial Services

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Direct line

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11 November 2020

Dear Audit and Accounts Committee Members

Audit Completion Report – follow-up letter

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit completion report dated 4 September 2020.

The outstanding matters and the conclusions reached are detailed below:

Audit area	Status	Description of outstanding matters
Property, plant and equipment	Complete	We have received the residual audit evidence and our work is complete, with no matters to report.
Investments	Complete	We have received the residual audit evidence and our work is complete, with no matters to report.
Loans	Complete	We have received the residual audit evidence and our work is complete, with no matters to report.
Pensions	Ongoing	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration.

We expect that there will be ‘material valuation uncertainty’ disclosed on the Pension Fund’s holding of property assets, which will need to be disclosed in the Council’s financial statements because the Council’s share in those assets as recorded on the balance sheet is material. This will lead to the ‘emphasis of matters’ paragraph in our Audit Report extending to cover those pension assets as described below:

Emphasis of Matter –Effect of the Covid-19 pandemic on the valuation of land, buildings and investment properties

We draw attention to Note X of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s land, buildings and investment properties and the valuation of the Council’s share of Nottinghamshire Pension Fund’s property assets. As disclosed in Note X of the financial statements, the Council’s and Pension Fund’s valuers included a ‘material valuation uncertainty’ declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.

However, we cannot conclude on the full extent of this matter until we receive the pension fund assurance letter.

Any modification to our Audit Report must undergo a consultation process, which cannot commence until we have the audit evidence we require. We are therefore uncertain whether we will be able to issue our Audit Report prior to 30 November.

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours sincerely

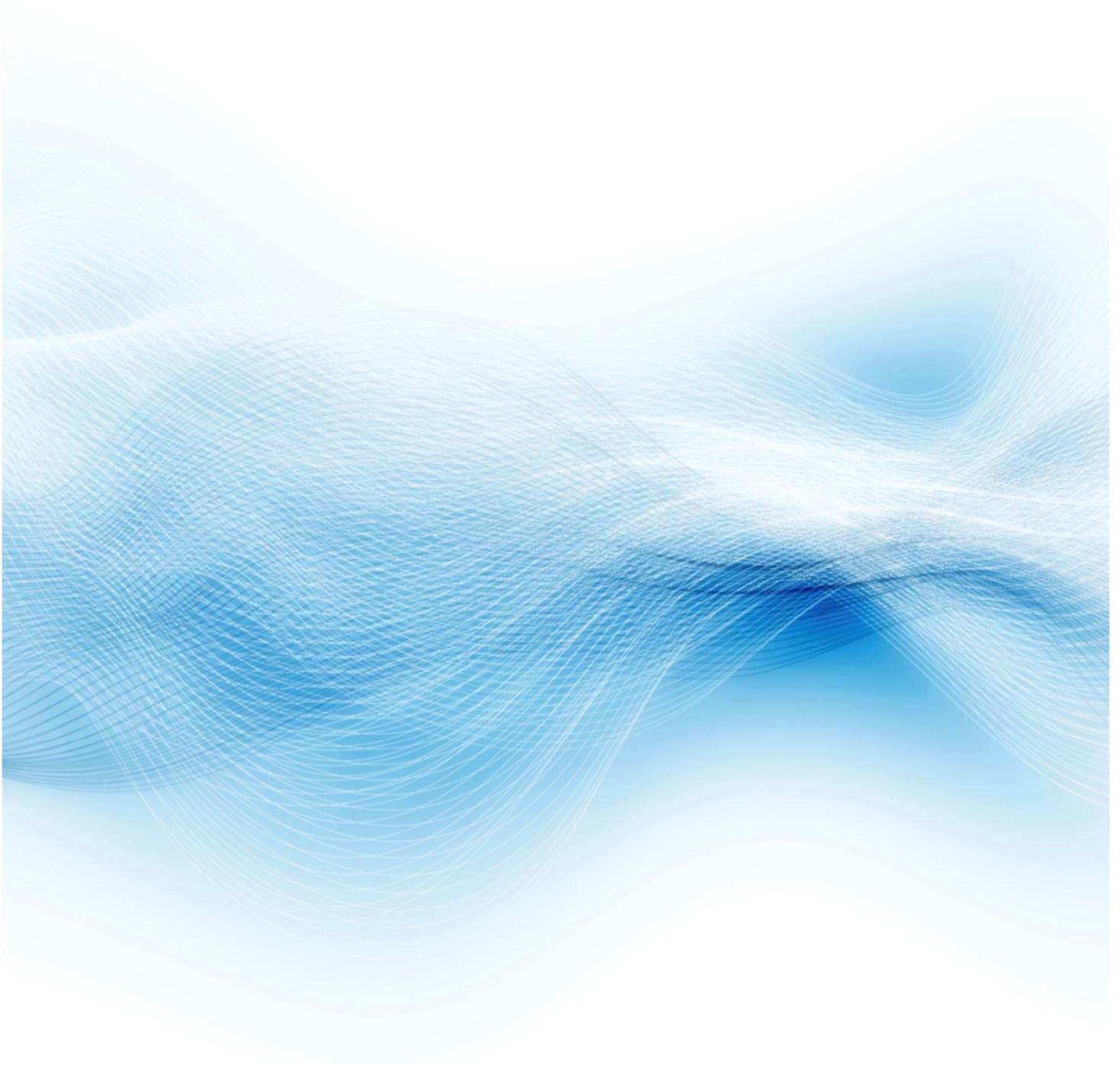


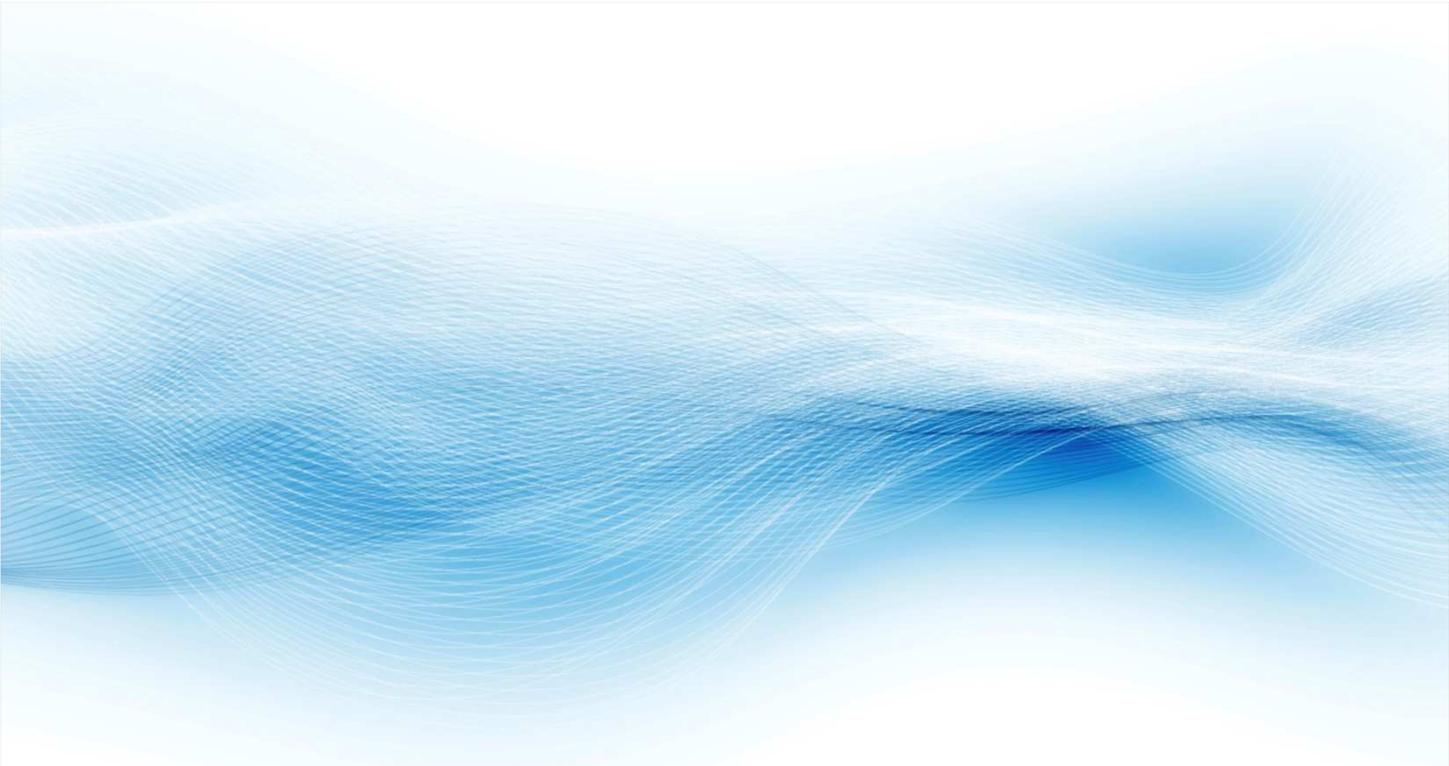
David Hoose
Mazars LLP



Audit Completion Report

Newark and Sherwood District Council
Year ending 31 March 2020





CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for Money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the ‘Statement of Responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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Nottinghamshire
NG24 1BY

4 September 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum dated 25 March 2020 which we presented on 30 September 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0115 964 4779.

Yours faithfully



David Hoose
Mazars LLP

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We are registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Newark and Sherwood District Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Audit and Accounts Committee meeting on 30 September 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of property, plant and equipment and assets held for sale
- Valuation of net pensions liability
- Transfer of Newark and Sherwood Homes' activities

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the required deadline.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no such objections or questions. Further details on the exercise of our wider powers are provided in section 2.

Executive summary

Significant findings

Internal control recommendations

Summary of misstatements

Value for Money conclusion

Appendices

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, plant and equipment	●	We are awaiting evidence from management's expert to support the detailed valuation for 4 items that we have selected for sample testing
Investments	●	We are awaiting an external confirmation for one investment balance
Pensions	●	Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report over the procedures we are seeking assurance over for our consideration.

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit and Accounts Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2020. We have not made any changes to our audit approach since we issued our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £2,181k for the Group and £2,100k for the Council's single entity financial statements using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £2,329k for the Group and £2,250k for the Council's single entity financial statements, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Accounts Committee), at £70k for the Group and £68k for the Council's single entity financial statements based on 3% of overall materiality.

2. EXECUTIVE SUMMARY (CONTINUED)

Overview of our group audit approach

Our Audit Strategy memorandum provided details of our intended group audit approach, including our initial assessment of group materiality. The table below confirms the approach we have taken to auditing the Council's consolidated financial statements.

Entity	Nature of entity audit	Auditor	Description of audit procedures undertaken on the component	Changes to audit approach
Newark and Sherwood District Council (parent)	NAO Code audit	Mazars LLP	A full audit of the consolidated financial information using component materiality	None
Active4Today Ltd (subsidiary)	Statutory audit	Wright Vigar Limited	Non-significant component, with assurance gained from analytical procedures supported by a review of the Council's consolidation processes	None
Arkwood Development Company Ltd (subsidiary)	Statutory audit	Wright Vigar Limited	Non-significant component, with assurance gained from analytical procedures supported by a review of the Council's consolidation processes	None

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Accounts Committee in a follow-up letter.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 11 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk	Description of the risk
Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk **Valuation of property, plant and equipment and assets held for sale**

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment and assets held for sale, with the majority of land and building assets required to be carried at valuation. Due to high degree of estimation uncertainty associated with those held at valuation, we determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk through performing the following audit work:

- Assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations;
- Considering whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- Assessing whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends;
- Assessing the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice; and
- Assessing the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk **Valuation of net pensions liability**

The Council's accounts contain material liabilities relating to the local government pension scheme. The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk through performing the following audit work:

- Assessing the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham LLP;
- Liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office; and
- Agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention. However we note that at the time of writing this report the assurance required from the auditors of the Nottinghamshire pension fund is still awaited.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk **Transfer of Newark and Sherwood Homes' activities**

During the year the Council transferred the housing functions provided by Newark and Sherwood Homes (an arms length management organisation) back into direct management by the Council. This transfer and the associated integration of these activities into the Council's operations represented a significant change management agenda. The changes involved will impact on the values detailed in the Council's accounts for 2019/20 and we determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk through performing the following audit work:

- Considering whether appropriate methodologies have been used by the Council to ensure the relevant transactions and valuations are reflected in the Council's 2019/20 accounts;
- Testing related transactions at the Council to provide assurance over the transfer values included in the Council's 2019/20 accounts; and
- Ensuring that the Council has made appropriate disclosures to reflect the transfer of Newark and Sherwood Homes' activities.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

Management judgement

Debt impairment

Description of the management judgement

Uncertainty exists that, in the current economic climate, the Council's provision for the impairment of doubtful debts would be sufficient.

How our audit addressed this area of management judgement

We addressed this area of management judgement through performing the following audit work:

- Reviewing the level of reported debt as at the 31 March and considering the implications for any material change;
- Ensuring that managements methodology for calculating the provision has been consistently applied and is in line with the requirements of the Code;
- Testing the collectability of both significant and a sample of other non-significant debtor balances; and
- Re-performing the basis of the calculation for the impairment of debtors.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Provision for business rate appeals against the rating list

Description of the management judgement

Management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.

How our audit addressed this area of management judgement

We addressed this area of management judgement through performing the following audit work:

- Reviewing the basis of the Council's calculation of its provision by recalculating the provision, evaluating the key assumptions of the provision, vouching movements in the provision and confirming completeness of entries;
- Assessing whether the provision has been calculated and recorded in accordance with the Council's accounting policy;
- Assessing whether the amount provided at the period end is appropriate, taking into account the Council's anticipated actual liability; and
- Assessing whether the reconciliation of movements during the period and description of the nature of the provision have been adequately disclosed in the financial statements.

Audit conclusion

The procedures we have undertaken have not identified any material errors or uncertainties in the financial statements or other matters that we wish to bring to Members' attention.

We have however identified an error exceeding our reporting threshold affected by this significant risk, these are set out in Section 4.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council in advance of the 31 August deadline and were of a good quality. These were supported by working papers of a good standard and represents a significant achievement by the finance team.

Significant matters discussed with management

Due to the impact of Covid-19 on the Council's business the following additional financial reporting challenges requiring additional audit procedures and testing have been noted and discussed with management:

- **Valuation Uncertainty**
RICS guidance has been issued which indicates that valuers are likely to conclude that there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date.
- **Going Concern**
The Council's going concern status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of financial statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of Covid-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of Covid-19.

This is also a matter for consideration as part of our work on the value for money conclusion.

- **Financial Instruments**
Whilst the Government has introduced a number of measures to ease financial hardship, the Council will need to consider the impact on expected credit losses or the impairment of financial assets.
- **Sources of estimation uncertainty, including pension fund assets and liabilities**
The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.
- **Pensions: McCloud and Goodwin**
In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' and 'Sargeant' cases. This indicates that the approach adopted for 2018/19 and 2019/20 is likely to have led to an overstatement of the pension fund liability as at 31 March 2020.
The Goodwin case brought against the Secretary of State for Education earlier this year regarding discrimination owing to sexual orientation in the Teachers' Pension Scheme. MHCLG have commissioned Government Actuary Department to undertake a review of the potential impact and at a local level, there is an additional risk to evaluate as to whether the scheme is materially misstated
The Council is required to provide disclosures regarding the key sources of estimation uncertainty that management has made in preparing the financial statements, specifically those with a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the ensuing financial year.

We have therefore needed to consider the implications arising from the above issues as part of our testing, conclusions and reporting.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management and staff.

2. SIGNIFICANT FINDINGS (CONTINUED)

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

We have not received any questions or objections.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

We have nothing to report in this regard.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

Description of deficiency

Fixed asset additions

Our testing of fixed asset additions identified capital expenditure of £42k against one asset that had been recognised in both 2017/18 and 2018/19. This was due to an address duplication of the information provided by Newark and Sherwood Homes in 2018/19, as the second amount of £42k should have been allocated to a different property address. While this is a control deficiency, there is no financial impact as the works have been included in the asset register and then revalued down to nil.

Potential effects

Assets could be overstated where assets are not revalued to nil.

Recommendation

The Council should ensure that fixed asset additions are recognised in the correct year.

2019/20 update

The Council has updated its procedures around capitalisation to ensure that this issue cannot be repeated. Our testing of asset additions in the current year has not identified any areas of concern.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £68k.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

We have not identified any misstatements that management has decided not to adjust.

Adjusted misstatements 2019/20

We identified six misstatements above our trivial threshold, one of which exceeds our audit materiality, that management has agreed to amend. For completeness we report all of these in the table below:

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Provisions – Non domestic rate appeals			620	
Cr: Taxation and non-specific grant income and expenditure - Non-domestic rates income and expenditure		(310)		
Dr: MiRS – Adjustments between accounting basis and funding basis under regulation	620			
Cr: Unusable reserves - Collection fund adjustment account				(620)
Dr: Creditors – Other payables				(310)
Inclusion of estimated appeals losses in respect of the 2020/21 rating year in error. This error also has consequential impacts for the Cash Flow Statement, the Collection Fund and Notes 9, 10, 11, 12, 16, 31, 32, 34 and 36A				
Total adjusted misstatements	620	(310)	620	(930)

Disclosure amendments

In addition to the above numerical errors that relate directly to the primary statements or their related notes, our audit also identified a small number of errors and adjustments in relation to other disclosures. These have been discussed with management who have agreed to the amendments and includes:

- Cash flow statement and related notes 36A ,36B and 36D;
- Note13 Transfers to/from(-) earmarked reserves;
- Note 23 Leases – Disclosure as lessee;
- Note 34 Unusable reserves – Pensions reserve; and
- Notes 40, 41, 42 and 43 Financial instruments.

5. VALUE FOR MONEY CONCLUSION

Introduction

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our approach

Our overall approach is set out in our Audit Strategy Memorandum and involves a detailed risk assessment at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As set out in our Audit Strategy Memorandum, for the 2018/19 financial year, we identified no significant audit risks.

Based on the work performed, we are satisfied that the Council's arrangements are adequate.

Matters kept under review

Before drawing our conclusion, we have:

- Updated our risk assessment for any new or emerging issues through discussions with management and updating our review of committee reports;
- Reviewed the Council's Annual Governance Statement for any significant issues; and
- Considered the Council's financial outturn position as presented in the financial statements.

From the work performed, no new significant VFM risks were identified and we have no matters to report.

Our overall Value for Money conclusion

We have completed our procedures and, as set out in our draft auditor's report included at Appendix B, we intend to issue an unqualified Value for Money conclusion for the 2019/20 financial year.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

[Date]

Dear Sirs

Newark and Sherwood District Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (the Council and Group) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council and Group you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council and Group in making accounting estimates, including those measured at current or fair value, are reasonable.

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DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council and Group have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council and Group has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the to you the requirements of the Code and applicable law.

I have disclosed identity of the Council and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Ultimate parent company

I confirm that the ultimate parent company for the Council is Newark and Sherwood District Council.

Yours faithfully

Director of Resources

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DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Newark and Sherwood District Council

Report on the financial statements

Opinion

We have audited the financial statements of Newark and Sherwood District Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Newark and Sherwood District Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the Director of Resources for the financial statements

As explained more fully in the Responsibilities of the Chief Finance Officer, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Director of Resources is also responsible for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Resources is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Resources is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Newark and Sherwood District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Newark and Sherwood District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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DRAFT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Newark and Sherwood District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Newark and Sherwood District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

David Hoose

For and on behalf of Mazars LLP

Park View House
58 The Ropewalk
Nottingham
NG1 5DW

November 2020

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APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

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Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Telephone: 01636 655303
Email: Sanjiv.Kohli@newark-sherwooddc.gov.uk

Date 25th November 2020

Dear Sirs,

Newark and Sherwood District Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (the Council and Group) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council (and Group) you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council (and Group) in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council (and Group) have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council (and Group) has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed identity of the Council's and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Ultimate parent company

I confirm that the ultimate parent company for the Council is Newark and Sherwood District Council.

Yours faithfully

Sanjiv Kohli
Deputy Chief Executive and
Director of Resources

Councillor Sylvia Michael
Chair – Audit and Accounts Committee

AUDIT & ACCOUNTS COMMITTEE
25 NOVEMBER 2020

GOING CONCERN STATUS OF THE COUNCIL

1.0 Purpose of Report

1.1 This report sets out the Council's assessment by the Council's Section 151 officer of the Council's Going Concern status.

2.0 Background Information

2.1 The concept of a 'going concern' assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. This assumption underpins the accounts drawn up under the Local Authority Code of Accounting Practice and is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising only at the discretion of central government). If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year.

2.2 Where the 'going concern' concept is not the case, particular care would be needed in the valuation of assets, as inventories and property, plant and equipment may not be realisable at their book values and provisions may be needed for closure costs or redundancies. An inability to apply the going concern concept would potentially have a fundamental impact on the financial statements.

2.3 Given the significant reduction in funding for local government in recent years and the potential threat that COVID-19 poses to the ongoing viability of one or more councils as a consequence, External Auditors are placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepare their financial statements. In response the position at Newark and Sherwood District Council is set out within this report.

3.0 Assessment of Going Concern

3.1 As with all principal local authorities, the Council is required to compile its Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting for 2019/20 (hereafter referred to as the Code). The Code is published by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the Council's Statement of Accounts is prepared assuming that the Council will continue to operate in the foreseeable future and that it is able to do so within the current and anticipated resources available. By this, it is meant that the Council will realise its assets and settle its obligations in the normal course of business.

The main factors which underpin the going concern assessment are:

- The Council's current financial position
- The Council's projected financial position

- The Council's governance arrangements
- The regulatory and control environment applicable to the Council as a local authority

These are considered in more detail below.

4.0 The Council's current financial position

- 4.1 The financial outturn position for the General Fund for 2019/20 shows a favourable variance against revised budget of £1.133m. There was a revision of -£0.126m compared with the outturn report presented to Policy and Finance Committee on 25th June 2020 based on the amendment to the Statement of Accounts relating to the Business Rates provision for appeals as reported to the Audit and Accounts Committee 30th September 2020. As at the 31st March 2020 the Council held general fund revenue reserves of £24.022m. Of this, £1.357m relates to funds that are ringfenced to specific activity (for instance Building Control/Homelessness), £7.831m is earmarked for future known pressures (for instance Repairs and Renewals, Medium Term Financial Plan Reserve) and £14.834m was un-ringfenced. This balance includes the statutory general reserve which has been assessed as a prudent level of £1.500m. The rest of the un-ringfenced reserves relate to the Change Management Fund which provides resource in order to support business transformation and large scale infrastructure projects. Commitments against the Change Management Fund have already been made to support delivery of infrastructure projects meaning that actually only £5.035m remains uncommitted within this fund.
- 4.2 General reserves reflect the ability of the Council to deal with unforeseen events and unexpected financial pressures in any particular year and are a key indicator of the financial resilience of the organisation. As part of the Medium Term Financial Strategy the Chief Finance Officer has assessed that the optimum level of the general reserve to be held by the Council to be at least £1.5m as per the above paragraph.
- 4.3 At 31st March 2020 the Council held £30.459m in the form of either cash or short term investments maturing within the next financial year. During 2019/20 the Council also invested £7.500m in longer term investments which would mature at a date post 31st March 2021. The Council's cash flow forecast for the future 12 months takes into account the anticipated inflows and outflows of cash. The forecast shows that over this 12 month period, there will not be a point in which the Council does not have liquid funds available in order to service its liabilities.
- 4.4 Where the Council makes long term financing decisions (through the Capital programme) these can include decisions on forecast borrowing the Council may need to take. Where the Council does decide that borrowing is required, it has access through the PWLB (or other market instruments when appropriate) to funds in order to meet the requirement.
- 4.5 Regarding capital; £15.120m of expenditure was approved within the General Fund capital programme for the 2019/20 financial year (including Revenue Expenditure funded from Capital under Statute). The outturn performance was £9.179m which represents an underspend of £5.941m. The main reasons for this shortfall in planned expenditure were £2.833m in relation to a planned contribution to the Southern Link Road, £0.941m planned contribution to the Robin Hood Hotel, £0.530m slippage in the delivery of the new swimming pool at the Dukeries Leisure Centre and a £0.240m loan to the Magnus Academy to refurbish the hockey pitch at the school. £7.698m of capital spending was re-profiled

into 2020/21 based on the capital outturn position, for which the projects above were included. The Council funds its capital programme from borrowing, capital receipts, direct financing from revenue, government grants and partnership funding eg contributions from developers through S106 agreement.

5.0 The Council's Balance Sheet as at 31st March 2020

5.1 The balance sheet shows a net worth of £234.988m which includes a liability worth £71.489m in relation to the future costs of Pensions liabilities. There are statutory arrangements for funding the pension deficit through increasing contribution over the remaining working life of the employees, as assessed by an independent actuary – Barnett Waddington in the case of the Nottinghamshire Pension Fund. Therefore, the financial position of the Council remains healthy. Other factors giving rise to this assessment include:

- The adequacy of risk assessed provisions for doubtful debts
- The range of reserves set aside to help manage expenditure
- An adequate risk assessed general reserve to meet unforeseen expenditure

6.0 The Council's projected financial position

6.1 In March 2020, the Council approved a balanced budget for 2020/21. This allows for net spending of £13.504m and required a council tax increase of £5 (at a Band D level) compared with the 2019/20 financial year, this included a transfer to reserves of £3.082m which included £1.741m of New Homes Bonus, which is split 50% contributing towards short life fixed assets (such as refuse freighters and ICT hardware) and 50% to the Change Management reserve. Of the remaining £1.341m, £1.684m was to contribute towards the MTFP reserve with a draw-down of £0.343m from other reserves.

6.2 The Council's Medium Term Financial Strategy (MTFS) is updated annually and reflects a four year assessment of the Council's spending plans and associated funding. It includes the ongoing implications of approved budgets and service levels and the revenue costs of the council's capital programme, as well as the management of debt and investments. An update on the Council's medium-term financial position covering the four year period 2020/21 to 2023/24 was reported to Council during October 2020 and reported a shortfall of £1.268m on the MTFP reserve balance by the end of the MTFP window.

6.3 The projected outturn position for the 2020/21 financial year was included within the update to the MTFP that was presented to Council in October 2020. This is forecast to be an unfavourable variance of circa £0.600m. The Council continues to monitor this position and will report to the Policy and Finance Committee throughout the year with forecast performance against budget.

6.4 The Council continues to monitor its forecast cash flow going forward in order to ensure that the inflows and outflows of cash is managed by prudent invest and borrowing decisions placed in accordance with the approved Treasury Management Strategy. The forecast for the next 12 months does not indicate that there will be a position where the Council does not have access to funds to meet its obligations.

6.5 In addition to this, the Council has access to funds through the PWLB (or alternative lenders) in order to support borrowing requirements arising as a consequence of capital decision making.

7.0 The Council's governance arrangements

7.1 The Council has a well-established and robust corporate governance framework. This includes the statutory elements like the post of Head of Paid Service, the Monitoring Officer and the Section 151 Officer in addition to the current political arrangements.

7.2 An overview of this governance framework is provided within the Annual Governance Statement which is included within the Statement of Accounts and was presented to the Audit and Accounts Committee on 30th September 2020. This includes a detailed review of the effectiveness of the Council's governance arrangements.

8.0 The external regulatory and control environment

8.1 As a local authority the Council has to operate within a highly legislated and controlled environment. An example of this is the requirement for a balanced budget each year combined with the legal requirement for councils to have regard to consideration of such matters as the robustness of budget estimates and the adequacy of reserves. In addition to the legal framework and central government control there are other factors such as the role undertaken by External Audit as well as the statutory requirement in some cases for compliance with best practice and guidance published by CIPFA and other relevant bodies.

8.2 Against this backdrop it is considered unlikely that a local authority would be 'allowed to fail' with the likelihood being, when faced with such a scenario, that central government would intervene supported by organisations such as the Local Government Association to bring about the required improvements or help maintain service delivery. This has been evidenced with the case of Northamptonshire County Council and the interventions that have been introduced as a result of the situation that arose.

8.3 However, given the severity of this pandemic on the Country's finances, it would be complacent to sit back and wait for Government intervention. MHCLG have conceded that councils could still be left with unmanageable pressures and may continue to be concerned about their future financial position, urging any authority that found itself in that position to contact the department with immediate effect.

9.0 Impact of Covid-19

9.1 The Council has received £1.483m in support from Central Government to mitigate against additional costs and income pressures as a result of Covid-19. This funding has been allocated to priority spend, which in the main is one-off, in order to maintain service delivery, safeguard staff and support vulnerable residents. A breakdown of the current budgets was presented to the Policy and Finance Committee on 24th September 2020.

9.2 The Government announced a scheme whereby Councils that see a reduction in budgeted sales, fees and charges will be eligible for reimbursement of 75% after a 5% deductible amount. MHCLG said the 5% figure accounted for "an acceptable level of volatility while shielding authorities from the worst losses" while covering three-quarters of every pound

lost would encourage councils to “manage and minimise loss where they can”. This therefore is equivalent to 71.25% reimbursement of the lost income.

10.0 Conclusion

10.1 It is considered that having regard to the Council’s arrangements and such factors as highlighted in this report, that the Council remains a going concern.

11.0 Equalities Implications

11.1 There are no equalities implications arising from this report.

12.0 Financial Implications (FIN20-21/2683)

12.1 The report contains all relevant financial implications.

13.0 RECOMMENDATION

That Members note the conclusion of the assessment made of the Council’s status as a going concern for the purposes of the Statement of Accounts 2019/20.

Reason for Recommendation

In order to support the approval of the Statement of Accounts for the 2019/20 financial year where this has been produced on a going concern basis.

Background Papers

Statement of Accounts 2019/20

Annual Governance Statement 2019/20

General Fund and HRA Revenue and Capital Outturn report to 31st March 2021 as at 31st July 2020

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

Nick Wilson

Business Manager - Financial Services

AUDIT AND ACCOUNTS COMMITTEE **25 NOVEMBER 2020**

APPROVAL OF THE STATEMENT OF ACCOUNTS

1.0 Purpose of Report

- 1.1 To obtain approval by an appropriate Committee of the Council's Statutory Accounts for the financial year ended 31 March 2020.

2.0 Introduction

- 2.1 In accordance with the Accounts and Audit Regulations 2015 there is a legal requirement that the Statement of Accounts for the Council receive approval by an appropriate Committee by the 31 July following the end of the financial year to which the Accounts relate. However due to disruption caused by the COVID 19 virus, legislation was passed to delay the statutory publication date of the audit opinion until the 30 November 2020. In accordance with the Council's Constitution and the remit of this Committee, the Statement of Accounts is brought to this Committee for approval. Any changes arising after the distribution of the agenda will be advised at the meeting. If these are significant they will be notified to Members as soon as they become apparent in order to allow Members to consider them prior to the meeting.

3.0 Approval of the Accounts

- 3.1 Although the regulations require the accounts to be approved by a resolution of a Committee it should be noted that approval in this context has, to some extent, a different meaning from other Committee resolutions. The Responsible Financial Officer (RFO) for the District Council, the Director of Resources – S151 Officer, retains responsibility for the preparation of the annual accounts and is required to certify that they present a true and fair view of the financial position of the Council at 31 March 2020.
- 3.2 The aim of the Regulations is for Members to demonstrate ownership of the accounting statements. In order to assist Members in having a chance to review the accounts before final adoption the Audited Draft Statement of Accounts and Annual Governance Statement were brought to the last committee, 30 September 2020.
- 3.3 There is a statutory requirement for the accounts of Arkwood Developments Ltd and Active4Today Ltd, the Council's two subsidiary companies, to be combined with the District Council's accounts to produce Group accounts which also have to be approved by the 30 November.

4.0 Changes made to the Statements

- 4.1 There is a requirement that the external auditor, Mazars, provides details of all of the errors in the financial statements that need amendment within the Report. Their Audit Completion Report was presented to members in the last committee and a subsequent Audit Completion Report – follow up letter can be found under agenda item 'External Audit Supplementary Letter to Audit Completion Report' and Appendix A.

- 4.2 The audit identified only one significant misstatement, which was detailed as per the last committee report and all relevant notes where subsequently adjusted.
- 4.3 The Audit Completion report – follow up letter identifies that 3 out of the 4 outstanding audit items have been completed with no matters to report. However, at the time of writing this report, the audit area for Pensions is currently still ongoing. This is due to the external auditors of the Nottinghamshire Pension Fund not yet replying to our auditors request for supplementary procedures, on their behalf, for additional verification and therefore our external auditors are unable to gain satisfactory assurance over the net pension liability figure within our accounts.
- 4.4 As the net pension liability figure within the Councils accounts is £71.489m, this represents a significant amount which therefore requires the assurance from the external suppliers of the figure. There will be a ‘material valuation uncertainty’ disclosed on the Pension Fund’s holding of property assets. Due to the materiality of the Councils share of net pension liability figure, the Councils’ accounts have had the following wording added into note 4 – Assumptions made about the future and other major sources of estimation uncertainty and note 39 – Post Employment Benefits;

“The Council participates in the Nottinghamshire Pension Fund (NPF). NPF property valuation as at 31 March 2020 includes a ‘material valuation uncertainty’ clause that explains that, market activity is being impacted in many sectors and the property valuation is reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

The Council’s share of property assets, subject to the ‘material valuation uncertainty’ declaration by NPF, as set out in Note 39, is £14.9m, which is material to the Council’s financial statements.”

As the accounts have been amended to include the above wording, as per the external audit completion report supplementary letter under agenda item ‘External Audit Supplementary Letter to Audit Completion Report’, the external auditor suggests this will lead to an ‘emphasis of matters’ paragraph in their Audit Report. The proposed wording from within the supplementary letter is;

“We draw attention to Note’s X & Y of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council’s land, buildings and investment properties and the valuation of the Council’s share of Nottinghamshire Pension Fund’s property assets. As disclosed in Note X of the financial statements, the Council’s and Pension Fund’s valuers included a ‘material valuation uncertainty’ declaration within their reports as a result of the Covid-19 pandemic creating a shortage of relevant market evidence on which to base their judgements. Our opinion is not modified in respect of this matter.”

- 4.5 An emphasis of matter paragraph is defined as;
A paragraph included in the auditor’s report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor’s judgment, is of such importance that it is fundamental to users’ understanding of the financial statements.

- 4.5 In the event that the accounts are required to be updated after the approval given within this report, this report recommends that delegation be given to the S151 Officer and Chairman of this committee to be able to approve any amendments required to the accounts arising from the pension assurance letter from Nottinghamshire Pension Funds external auditors.
- 4.6 Due to the above the audit completion report supplementary letter also states that the auditors are uncertain as to whether or not they will be able to issue their audit report prior to the statutory deadline of 30 November.

Annual Governance Statement

- 5.0 The Audit and Account Regulations 2015 require the Council to carry out an annual review of the effectiveness of its system of internal control. Having considered the findings of the review members are then required to approve an Annual Governance Statement, prepared in accordance with proper practices in relation to internal control. The Annual Governance Statement has been reviewed and updated for 2019/2020 and is included in the Statement of Accounts. It is reproduced at Appendix A for ease of reference.

Letter of Representation

- 6.0 The Council's letter of representation to the external auditor attests to the accuracy of the financial statements submitted to the auditors for their analysis. In essence the letter states that all of the information submitted is accurate and that all material information has been disclosed to the auditors. The letter must be signed by the Chairman of the Audit and Accounts Committee and the Responsible Financial Officer. A copy of the letter is attached for information at Appendix B.

7.0 RECOMMENDATIONS that:

- (a) Members approve the Annual Governance Statement for the financial year ended 31 March 2020;**
- (b) Members approve the Statement of Accounts for the financial year ended 31 March 2020;**
- (c) Members give delegation to the s151 Officer and the Chairman to sign a revised set of accounts if required as per para 4.5; and**
- (d) Members note that as per the previous report the s151 Officer and the Chairman have signed the Letter of Representation.**

Background Papers

Nil.

For further information contact Nick Wilson on extension 5317 or Andrew Snape, Assistant Business Manager Financial Services on extension 5523.

Annual Governance Statement

1. Scope of responsibility

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, (with the addition of Newark and Sherwood Homes, Active4Today Ltd and Arkwood Developments Ltd), its Group business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newark and Sherwood District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. The framework also includes activities through which the authority accounts to, engages with, and leads the communities that it serves. It enables the authority to monitor and assess the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Newark and Sherwood District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2020. Since May 2013 the Council has operated governance arrangements through the use of a Committee system.

3. The governance framework

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly. Within the Constitution, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, which was revised in 2016. The Council's Code of Corporate Governance was also reviewed during 2016 to ensure it complied with the requirements of the revised Framework.

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England).

The Council adopted a new Community Plan for the 2019/20 financial year which was approved at Council on 7th March 2019. The new Community Plan spans the medium term from 2019 through to 2023 and sets out 11 Objectives (<https://www.newark-sherwooddc.gov.uk/councilpriorities/>). The delivery of these objectives is being conducted in accordance with the Governance framework.

During 2019/20 the Council facilitated policy and decision-making through a Committee system. Meetings are open to the public except where exempt or confidential matters are being considered. In addition, the Council's Constitution gives delegated authority for senior officers of the Council to make decisions in certain specified circumstances.

The District Council has a cross-service Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this, a Fraud Risk Register is in place and a full refresh took place during 2019/20 facilitated by the Council's Internal Audit contractors Assurance Lincolnshire. This was due to be presented to the Audit and Accounts Committee at its meeting in April, but due to the Coronavirus Pandemic, this meeting was cancelled.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced officers. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme, which was reviewed and updated in 2019.

The statutory role of Monitoring Officer is undertaken by the Director of Governance and Organisational Development. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The standards of behaviour for members and employees are defined through Codes of Conduct and the Code of Corporate Governance. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Director of Resources post is combined with the Deputy Chief Executive position and has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council communicates with its community and stakeholders by means of a periodic publication, "Voice", through its website and through social media and by specific consultation. It undertook a household survey of all the residents and businesses in the District in 2018/19 – which led to the review and adoption of its Community Plan.

4. Review of effectiveness

Newark and Sherwood District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers are required to provide assurance to the s151 officer that service areas are compliant with the Council's governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation and to consider changes to facilitate more effective governance of the Council.

Overview and Scrutiny - During 2019/20 the overview & scrutiny function was undertaken through Committees with overview & scrutiny principles being embedded in the remits of the Policy and Finance Committee and the three functional committees as well as the Audit and Accounts Committee. Councillors' Commission - The Council reviews the Constitution through a dedicated working party, (the Councillor's Commission), which comprises senior councillors across all political groups, including all the group leaders. It meets on a regular basis to consider any changes resulting from recent legislation, and to consider proposals to facilitate more effective governance of the Council.

In October 2019, the Council undertook a governance review facilitated by an external peer team led by the Local Government Association. The review focussed on three broad areas: what was working well; what could be improved; and what should the Council do next. The report from the peer review made recommendations for the Council to explore the opportunity to improve governance further by looking at a future governance system and structures that delivers:

- a greater focus on outcomes for the community;
- clearer political ownership and accountability for policy and decision making, including opportunities to challenge;
- consideration of where and how policy should be developed;
- greater political and managerial oversight of council performance;
- reducing duplication and inefficiencies;
- improving the speed and transparency of decision-making;
- further and ongoing community and stakeholder engagement, building on the success of the Corporate Plan process

The Councillors' Commission was tasked with taking the review forward in December 2019. It was agreed that the next step would be for councillors and officers to visit a small number of councils with differing governance of cabinet/committee arrangements to learn from their experiences. Although these visits were arranged to take place in March and April – these have been put on hold due to the pandemic.

The Monitoring Officer -. Recent changes have been made to the Constitution, specifically the procedures for council/committee meetings and decision making arising from new Government Regulations to enable remotely held meetings due to the social distancing rules because of Covid-19. In addition, the Council has commissioned Assurance Lincolnshire, the Council's internal auditors, to undertake an ethics and culture health check. Assurance Lincolnshire have developed a model to review the ethical culture within a local authority to test out how well its rules, procedures and behaviours around good ethical governance are embedded within the organisation. The model has been developed to get 'under the surface' and examine the principles and standards that underpin the way in which officers and members interact with others to support excellent service delivery. It is anticipated that this work will be completed during the current year. The review is being overseen by the Monitoring Officer and the Audit and Accounts Committee.

Internal Audit - is responsible for reviewing the quality and effectiveness of systems of internal control.

An annual audit plan is approved by the s151 Officer together with the Senior Leadership Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Senior Leadership Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. For the 2019/20 financial year, the opinion of the Head of Internal Audit is that the Council is performing adequately across the areas of Financial Control, Governance, Risk and Internal Control. Five reports gave limited assurance (three during 2018/19) relating to:

- Building Control – Client Side – Since 2016, the Council, together with Rushcliffe Borough Council and South Kesteven District Council, have been working collaboratively on the delivery of a Building Control service. This report identified improvements relating to contract and relationship management;
- Community Centres – The Council currently has 4 Community Centres under its ownership. This audit identified improvements relating to structure and performance measures to ensure that the Council understands the value that the Community Centres are adding and the mitigate any further risks;
- ICT Incident Management – This report highlighted improvements relating to ICT incident reporting, handling and lessons learnt in order to efficiently and effectively deal with reported ICT issues.
- Key Controls – Health and Safety – As part of the Council's key control testing an area of weakness was recognised within Health and Safety reporting. The report identified improvements relating to reviewing risk assessments.
- Key Controls – Absence Management – As part of the Council's key control testing an area of weakness was recognised within absence management. The report identified improvements relating to reporting of information and review of the current policies.

Recommendations are being implemented to address the weaknesses identified by Internal Audit.

In addition, a management review was carried out of phase 1 of the Sherwood Forest Arts and Crafts Centre in Edwinstowe, which involved the conversion of a derelict building on Forest Corner. The review identified a number of weaknesses in project management and budgetary control. Management have carried out further follow up reviews and appropriate action is being taken to address the issues and weaknesses identified.

The internal audit function is carried out by Assurance Lincolnshire. During November 2019, a report reviewing the effectiveness of the Internal Audit function was considered by the Audit and Accounts Committee. The results of this review concluded that the Internal Audit function is currently working effectively. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in September 2016 and preparations have started for the next required assessment in 2021. No areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity was identified.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

Additionally to the issues identified in the table below, the current key issue for the Council is COVID-19. The Council is working closely with central government, the health service and the local resilience forum to support businesses and residents across the District as follows:

- Supporting businesses – Rate relief coupled with grants for businesses in the retail, hospitality and leisure sectors have to date helped around 2,200 businesses
- Supporting residents – the Council is making contact with vulnerable residents and tenants and is working with partners to proactively support rough sleepers. Residents who have serious underlying health conditions have been identified and there are processes in place to support this highly vulnerable group

In moving to the recovery phase, the Council has initiated a recovery cell (as part of its Emergency Planning policy) in order to focus initially on community resilience and economic impact, alongside day to day service provision. This group will also consider how lessons can be learned from the response to the pandemic and how opportunities can be explored and impacts be mitigated. The Council plans recognise that recovery is best achieved with multi agency collaboration in accordance with the guidance and responsibilities of the Civil Contingencies Act. The Council is fully engaged in recovery planning and delivery at a local, regional and national level.

Virtual Council meetings are taking place to maintain open and transparent decision making whilst observing social distancing. Further information regarding this can be found on the Council's social media accounts and at www.democracy.newark-sherwooddc.gov.uk

Conclusion

The Council has assessed the governance arrangements in place throughout 2019/20 and whilst it is considered that the current arrangements provide a satisfactory level of assurance, work is continuously underway to ensure that the arrangements remain fit for purpose in an ever changing external environment.

5. Significant governance issues

Issue	Action	Responsible Officer
<p>Re-integration of Housing Management Function</p> <p>During 2018/19 the Council reviewed its arrangements regarding the Housing Management function, culminating in the "in principle" decision to bring the service in-house for direct service provision by the Council, subject</p>	<p>The Council brought back its Housing Service on the 1st February 2020. As part of this, the Council has established a review of tenant engagement. It is a regulatory requirement of housing providers to deliver effective opportunities for tenants to influence the design and delivery of housing services and their homes and to hold their landlord to account. This review will establish the preferred approach to ensure customers (future, present and past) views are used to scrutinise and shape services.</p> <p>A Housing Advisory Group was established by the Homes and Communities Committee and its first meeting was held on 25th February 2020.</p> <p>The role of the Housing Advisory Group is to create an informal forum through which the comments/views of the tenant representatives can be heard on a range of tenant-related matters and then be incorporated into the consideration of these items by the Homes & Communities Committee. The Housing Advisory Group, is effectively a working party of the Committee, and does not have any delegated authority or decision-making powers. It will cease following the implementation of its work and conclusions around the review of tenant involvement and engagement.</p>	<p>Suzanne Shead Director- Housing, Health and Wellbeing</p>
<p>Development Company</p> <p>The Council has approved the formation of a wholly owned development company, Arkwood Developments Limited. The Company's primary objective is to develop market housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>The Company was incorporated in 2018 and robust governance arrangements are in place.</p> <p>The Company's Business Plan and a Business case for its first development site on land at Bowbridge Road have been approved by the Council through its shareholder and Policy and Finance Committees. Equity capital and loan funding has been approved and released to the Company. Progress of the company in meeting the objectives set out in the Shareholders Agreement will be monitored by the Shareholders' Committee, which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	<p>Karen White Director- Governance and Organisational Development</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Signed

J. Robinson
Chief Executive
25th November 2020

D. Lloyd
Leader of the Council
25th November 2020

Mazars LLP
Park View House
58 The Ropewalk
Nottingham
NG1 5DW

Telephone: 01636 655303
Email: Sanjiv.Kohli@newark-sherwooddc.gov.uk

Date 25th November 2020

Dear Sirs,

Newark and Sherwood District Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (the Council and Group) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council (and Group) you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Resources that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council and Group's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council (and Group) in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council (and Group) have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council (and Group) has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Resources for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed identity of the Council's and Group's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Brexit

We confirm that we have carried out an assessment of the potential impact of the United Kingdom leaving the European Union, including the potential outcomes at the end of the Implementation Period, and that the disclosure in the Statement of Accounts fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council and Group will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Ultimate parent company

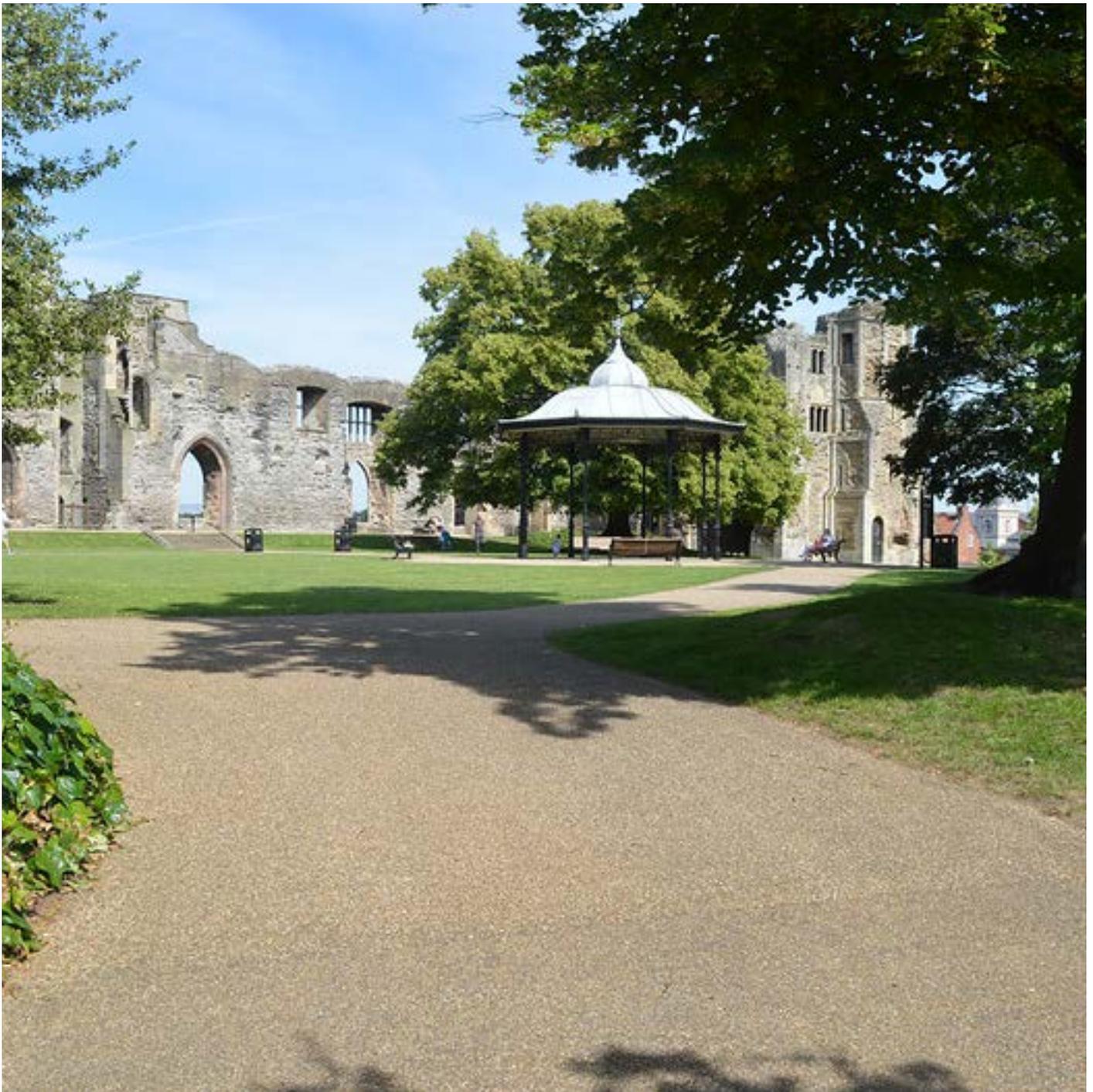
I confirm that the ultimate parent company for the Council is Newark and Sherwood District Council.

Yours faithfully

Sanjiv Kohli
Deputy Chief Executive and
Director of Resources

Councillor Sylvia Michael
Chair – Audit and Accounts Committee

AUDITED STATEMENT OF ACCOUNTS, NARRATIVE REPORT AND ANNUAL GOVERNANCE STATEMENT 2019/20



Contact Us

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Castle House
Great North Road
Newark
Notts
NG24 1BY

Our telephones and office are open 9am to 5pm Monday to Friday

Most of our services are available online:
www.newark-sherwooddc.gov.uk



Castle House, Newark

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Foreward



John Robinson
Chief Executive

Welcome to our Statement of Accounts which details our financial performance.

Over the past year, the Council has continued to maintain a tight grip on its spending whilst delivering on its top priorities which include increasing the supply of housing, reducing crime and anti-social behaviour, enhancing and protecting the local environment and improving the quality of life for the most vulnerable members of our community.

Towards the end of the financial year, the Council also 'took back' management of its housing stock from Newark and Sherwood Homes, in order to generate savings that could be re-invested to improve tenants' homes and neighbourhoods.

This year's statement has been put together during the period of the COVID-19 pandemic which has profound financial implications on top of the public health crisis. It will therefore be important that the Council continues to seek out ongoing efficiencies, maximise the returns on its investments and assets, levers in external funding and adopts an increasingly commercial outlook and approach to its operations.

Though the outlook is increasingly uncertain and challenging, careful but also creative use of our resources will enable us to achieve what is an exciting and ambitious capital programme and revenue budget, aligned to our new Community Plan. I'm extremely grateful to our excellent financial services team and to the Audit and Accounts Committee who play a key role in ensuring effective financial governance.



Councillor Sylvia Michael
Chairman Audits and Accounts Committee

Newark and Sherwood District Council has adopted a series of values which guide, and drive, the way we design and deliver our services.

Our major consultation exercise in 2018 generated more than 11,000 responses from the public and has since enabled us to directly focus on the things that matter most to those who live and work in Newark and Sherwood.

We now find ourselves in the second year of our Community Plan and remain as committed as ever to improving residents' quality of life and enable those who live, work and invest in Newark and Sherwood to prosper and fulfil their potential.

These values and the priorities that our communities have directed, enable the Council to ensure that spend and investments are aligned to what residents want and need.

In my role as Chairman of the Council's Audit and Accounts Committee, I am aware of the future challenges that the council faces. We have listened to what our residents have said and that is what gives this administration its driving ambition - to tackle those challenges and continue delivering and maintaining high quality services.

As can be shown in this report, the council can demonstrate value for money, spend linked to priorities and performance, and a sound financial landscape going forward.

Introduction by S151 Officer

Deputy Chief Executive and Director of Resources
(S151 Officer)



I am pleased to introduce our Statement of Accounts for 2019/20.

2019/20 saw the first year of our new Community Plan which will span the next four years until 2023. This report represents the year end performance of the first year of this plan.

The purpose of these accounts is to present a true and fair view of the financial results of our activities for the year and the value of our assets and liabilities at the end of the financial year.

This narrative report is set out in eight parts.

Part one - An introduction to Newark and Sherwood

Part two - Newark and Sherwood District Council - what are we here for

Part three - How the Council works

Part four - The Community Plan delivery

Part five - Financial performance for the year 2019/20 summarising the information within the main Statement of Accounts document.

Part six - Looking forward at the adopted Community Plan, Covid-19 and Medium Term Financial Plan

Part seven - Identified corporate risks.

Part eight - Explanation of the Financial Statements to help navigate through what is at times quite a technical document.

In considering this report, it should be noted that the favourable variance reported against service budgets which we use internally to monitor our financial performance is not directly comparable to the surplus disclosed in the Statement of Accounts. This is mainly due to the accounting adjustments required to comply with reporting requirements, which do not impact on the amount of our spending to be met by local taxpayers. The key differences relate to the way in which we account for items such as depreciation, impairment, reserves, provisions and carry-forwards. Each of these items is explained further in our accounting policies and the glossary.

Sanjiv Kohli
Deputy Chief Executive and Director Of Resources (S151 Officer)
Newark and Sherwood District Council

Part one - Introduction to Newark and Sherwood

The district in numbers



The information above comes from the Local Government Association's "Basic facts about Newark and Sherwood District" report. This is available online at <https://bit.ly/2TELBfk>

The report was generated using data from:

Nomis; Annual Population Survey
Nomis; mid-year population estimates
Office for National Statistics; Census 2011
Office for National Statistics; Mid-year estimates

Our area

Home to the legendary Robin Hood and ancient Sherwood Forest, the district of Newark and Sherwood is rich in history and community. Vibrant market towns, former mining areas and dozens of picturesque villages all have their unique stories to tell. The cities of Nottingham (to the West) and Lincoln (to the East) are within half an hour's travel. The A1 national highway runs through the district and there is an East Coast Main Line railway station at Newark, with regular trains to London taking just over an hour to reach the capital. The neighbouring areas of Yorkshire, the Peak District and the east coast resorts are also easily accessible.

With low cost housing, excellent communication links and an enviable range of local attractions, including Newark Castle, Palace Theatre, Sherwood Forest and the National Civil War Centre, Newark and Sherwood is a popular place in which to live and invest, and is a perfect base for exploring more of the Heart of England.



Southwell Minster, Southwell

Part two - Newark and Sherwood District Council's Purpose – what we're here for

Newark and Sherwood already has much to be proud of. With its captivating history, beautiful countryside, characterful market towns, world renowned businesses and an enviable location at the crossroads of the country's transport network. We want to do all we can to enable local residents and businesses to flourish and fulfil their potential as well as encouraging more visitors to enjoy all that Newark and Sherwood has to offer. In order to achieve these, we will be locally focused and nationally connected - driven by what matters most to the people we serve and with a perspective and relationships stretching well beyond our boundaries.

Our Values

We want to serve our local community the best way we possibly can. As public servants we place a great emphasis on adopting a public sector ethos and seek to embody this in the way that we interact with you and with each other. As part of the Community Plan re-refresh we have revisited the Council's Purpose and Values to make it clear what we are here to do and how we will go about it.

'Serving people, Improving lives'

Ambitious and forward thinking

Focused on achieving the very best and always looking to improve and innovate.

Caring and compassionate

Sensitive to the different needs and circumstances of others; seeks to empower people to fulfil their potential.

Commercial and business-like

Careful and creative with resources; securing value for money.

Professional and trustworthy

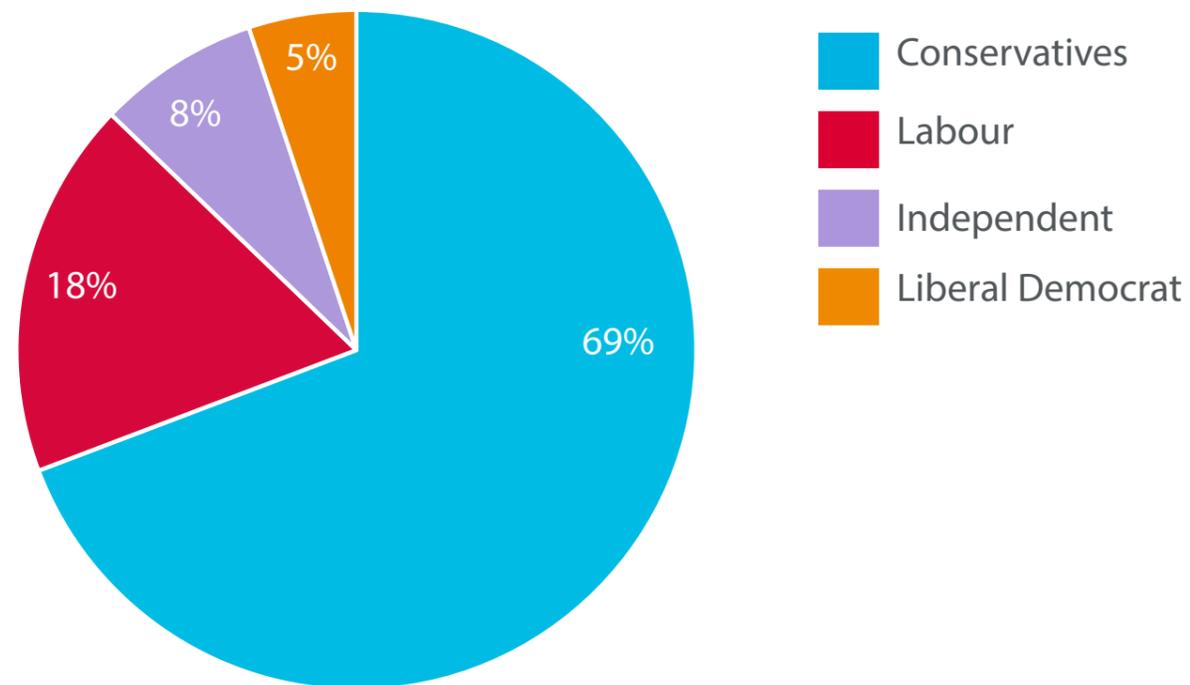
Consistently delivering on promises; providing good quality and demonstrating integrity.

Welcoming and responsive

Approachable, open to feedback and challenge and swift to act.

Part three - How the Council works

Residents of Newark and Sherwood are represented by 39 elected members. The political make-up of the Council from May 2019 is shown below.



Councillors are elected by the community to decide how the Council should carry out its various activities. They represent public interest as well as individuals living within the ward in which he or she has been elected to serve a term of office. They have regular contact with the general public through Council meetings, telephone calls or surgeries. Surgeries provide an opportunity for any ward resident to go and talk to their councillor face to face and these take place on a regular basis.

Councillors appoint a Leader and Deputy Leader to provide political leadership and direction for the Council as a whole.

Each year, Councillors also appoint a Chairman to undertake civic responsibilities on behalf of the whole Council.

Find out more about our Councillors here: <https://bit.ly/2ZJqZ9L>

Find the Member representative for each ward here: <https://bit.ly/2XzSUpE>

Councillors meet together as the Full Council and these meetings are open to the public.

How the council works

The Council has four operational committees:



Policy and Finance Committee

The Policy & Finance Committee makes key strategic decisions (other than those which must be determined by Council) including all decisions which have a major impact on a number of Council services or on the Council as a whole.

Councillor David Lloyd,
Chairman of Policy and Finance and Leader of the Council



Economic Development Committee

The Economic Development Committee assists with policy development, implementation and review in respect of all areas falling within its remit including: Economic Regeneration and Transport; Fuel Poverty Strategy; Home Energy Conservation and Energy Conservation Plan; Energy management; Climate change including Mitigation (CO2 reduction); and Land Use Planning.

Councillor Keith Girling,
Chairman of Economic Development and Deputy Leader of the Council



Homes and Communities Committee

The Homes & Communities Committee assists with policy development, implementation and review in respect of all areas falling within its remit including developing and adopting policies and procedures in accordance with the Council's: Community Safety Strategy; the Council's Emergency Plan and Responses to Flooding; and in relation to Housing.

Councillor Timothy Wendels,
Chairman of Homes and Communities



The Leisure and Environment Committee

The Leisure & Environment Committee assists with policy development, implementation and review in respect of all areas falling within its remit including developing and adopting policies and procedures in accordance with the Council's Cleaner, Safer, Greener Strategy and the Council's Leisure and Culture Strategy.

Councillor Roger Jackson,
Chairman of Leisure and Environment

The Council also has four regulatory committees:



Audit and Accounts Committee

The Audit and Accounts Committee oversees the Council's internal control framework and approve the council's published accounts.

Councillor Mrs Sylvia Michael,
Chairman of Audit and Accounts



General Purposes

The General Purposes Committee considers applications for hackney carriage and private hire licences. It also deals with licensing functions other than those falling within the remit of the Licensing Committee and functions relating to parishes, elections and electoral registration.

Councillor Mrs Rita Crowe,
Chairman of General Purposes



Licensing Committee

The Licensing Committee is required under the Licensing Act 2003 to discharge licensing functions such as issuing licences for the sale of alcohol and late night refreshments.

Councillor Mrs Rita Crowe,
Chairman of Licensing



Planning Committee

This is a formal meeting of councillors who make decisions on certain planning applications.

For each application forwarded to the committee and officer written report is attached. Copies of the reports are available five working days before the date of committee (copies are not made available to the public at the meeting). Our planning committee is made up of 15 members of the Council. Some officers of the council also attend, including Business Managers, Planning Officers and Legal Representative

Councillor Roger Blaney,
Chairman of Planning

The Council also has a Shareholders committee:



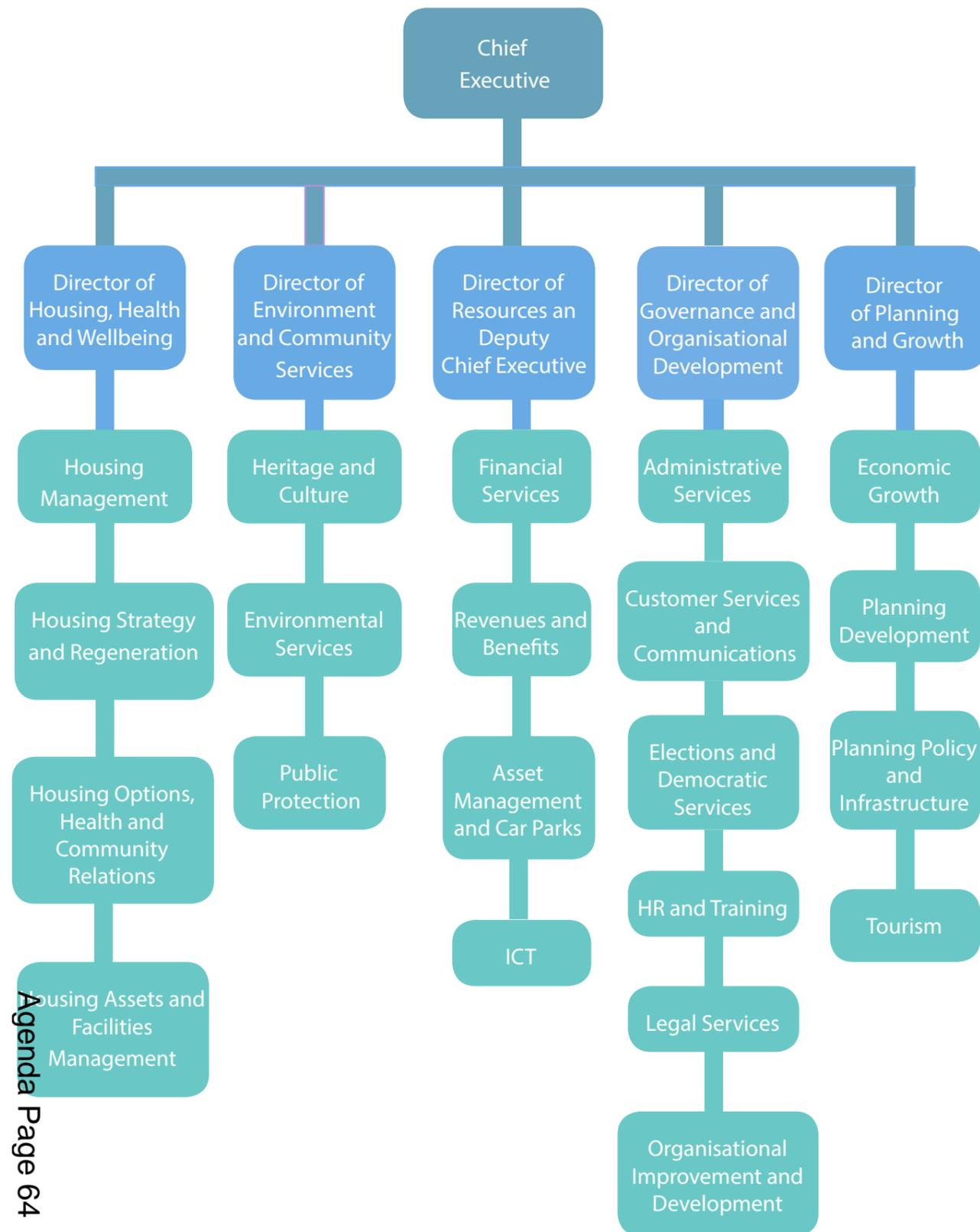
Shareholders Committee

The Shareholder Committee oversees the strategic relations between the Council and its Development Company, Arkwood Developments Limited.

Councillor David Lloyd,
Chairman of Shareholders and Leader of the Council

How the Council works - structure

With the reintegration of Newark and Sherwood Homes into the Council from 1 February 2020, the chart below shows the organisational structure at the end of the financial year.



How the Council works

On 26 September 2019, the Policy & Finance Committee made the decision (<https://bit.ly/2zzQ4Jg>) following an extensive review and tenant consultation, to bring the housing management service in-house for direct service provision by the Council. This included the decision to dissolve the Council's housing management company, Newark and Sherwood Homes Ltd.

The review undertaken by the Strategic Housing Liaison Panel identified sound business reasons for the Council to wind up Newark and Sherwood Homes Ltd and bring the service back in-house. The re-integration of the housing service will enable more joined up service delivery with the rest of the Council and deliver significant efficiencies identified for the Housing Revenue Account of £0.95m, which can be reinvested back into housing services.

The transfer of the housing management service to the Council successfully took place on 1 February 2020, two months ahead of schedule. Company activities, contracts, employees, assets and liabilities were all included in the transfer agreement and are now under direct service provision by the Council. A successful appointment has been made to the Director of Housing, Health and Wellbeing post following an extensive recruitment process, which included a Member lead panel. The Director will lead on the integration of housing management service back within the Council as well as having oversight of the health and wellbeing, housing strategy, housing options and community relations functions.

This set of accounts shows a consolidated position between Newark and Sherwood District Council and Newark and Sherwood Homes Ltd in terms of their operating activities during the year together with a consolidated opening and closing Balance Sheet.



Part four -Community Plan delievery

Newark and Sherwood District Council has 11 objectives guiding the work it does between 2019 and 2023.

Improve the cleanliness and appearance of the local environment

The Council will focus efforts on reducing the amount of littering, flytipping, graffiti and dog fouling in the district. The Council aim to do this by working with schools, businesses, and residents through a combination of support, education and enforcement activities.

What have we done so far ...

A new policy committing to the removal of most graffiti within 36 hours

An increased number of enforcement notices being issued - alongside educating and raising awareness through engagement activities and media campaigns

A fly-tipping campaign

PAWS - the ongoing campaign focused on all aspects of dog ownership to include always picking up your dog's faeces

Trialling dual recycling bins in Southwell

Work to revitalise and refocus the Council's environmental services

We have also

Held days of actions in Newark covering: Yorke Drive, Hawtonville; and Newark Town Centre

Had a day of action covering Blidworth and Ollerton



Protect, promote and enhance the district's natural environment

The Council is proud of the district's heritage and wants to celebrate what it has to offer by increasing awareness and use of the many attractions across the district both by residents and visitors. By providing a joined up offer and improving brand identity the Council hopes to increase usage and overall satisfaction.

What have we done so far ...

Made improvements to facilities at Vicar Water Country Park, with the park being awarded Green Flag status for the 20th year running

Made improvements to Sconce and Devon Park

Across the district we have offered:

Three free trees to each resident and 50 free trees for Parish Councils

We have also declared a climate emergency and are working with the Carbon Trust to calculate the organisation's carbon footprint and look at pathways to mitigation as part of a wider environmental strategy.



Improve transport infrastructure to reduce congestion and facilitate growth.

The Council plans to work with partner agencies to ensure the district's interests to be represented by lobbying for improvements to transport infrastructure to reduce congestion, ensure communities are better connected, and enable housing and employment growth.

What have we done so far ...

Progress made on closing the financial/delivery gaps for the Ollerton Roundabout

Progress made on the Southern Link Road

Proactively pressing to secure funding to deliver the Newark Northern A46 bypass

Working towards an upgraded A1 overbridge at Fernwood



Accelerate the supply of new homes including associated facilities

The council will work with developers, partner organisations and individuals to unlock key development sites to facilitate the delivery of a range of mixed tenure homes across the district. The Council will work directly with individuals to ensure that planning decisions are made in a timely and effective manner.

What have we done so far ...

654 houses were built (155 - affordable) in 2019/20 exceeding the 454 houses required per year to meet supply requirements

Building continues on the Middlebeck Strategic Urban Extension

Building to begin at Thoresby site



Increase visits to Newark and Sherwood and the use of visitor attractions by local residents

The Council is proud of the district's heritage and wants to celebrate what it has to offer by increasing awareness and use of the many attractions across the district both by residents and visitors. By providing a joined up offer and improving brand identity the council hopes to increase usage and overall satisfaction.

What have we done so far ...

Destination Management Plans published

Three new tourism websites launched

National Civil War Centre's World Turned Upside Down exhibition opened



Reduce crime and anti-social behaviour, and increase feelings of safety in our communities

The Council will work to reduce incidences of crime and anti-social behaviour. The Council will seek to implement a programme of diversionary activities to help improve behaviour. The Council hopes to reduce the fear of crime by increasing the visible presence of uniformed officers and maximising the use of CCTV.

What have we done so far ...

Installed a mobile CCTV camera in the Winthorpe Road area following concerns from the local community.

Agreed a Community Alcohol Partnership in Clipstone

Renewed focus on the operational Gypsy and Traveller Group.

Celebrated Gypsy, Roma, Traveller History Month in June 2019

Employing four new Community Protection Officers with the power to issue fixed penalty notices (FPNs)



Reduce levels of deprivation in target areas and remove barriers to social mobility across the district

There are pockets of severe deprivation that make it more difficult for some residents to achieve their potential. The Council plans to work closely with vulnerable residents to ensure they can access key services. The Council aims to raise aspirations and improve social mobility.

What have we done so far ...

Launch of new Homelessness Prevention and Rough Sleepers Strategy 2019-2023

Launch of a new Voluntary and Community Sector Network

Development and implementation of a local offer for care leavers

Partnership work continuing with the YMCA in Newark to enable delivery of the Activity and Community Village

Securing £106,000 for disabled facilities grants across the district



Enhance and sustain town centres

The Council plans to bring about transformational change that increases overall usage of the town centre and strengthens its reputation and long-term viability.

What have we done so far ...

Purchase of the Buttermarket to bring the building back into use

Secured development of the Robin Hood Hotel

Purchasing a retail building on Stodman Street

Newark is one of 100 towns invited to progress a Town Deal

18 Lounges announced as commercial tenant for the Buttermarket



Improve the health and wellbeing of local residents, with a particular focus on narrowing the gap in healthy life expectancy and other health outcomes

The Council plans to work with partners to ensure interventions are targeted to secure improved health outcomes for residents within the district. The Council will focus on increasing the number of residents who are physically active and ensure all residents live in warm, decent and affordable homes.

What have we done so far ...

Adopting the Newark and Sherwood Health and Wellbeing Partnership Plan and agreeing an action plan

Supporting development of a social prescribing model and recruitment of NHS link workers

Securing planning permission for the Dukeries swimming pool

Ongoing engagement and events with communities and schools across the district encompassing a range of health and wellbeing activities



Generate more income, improve value for money and increase residents' satisfaction with the Council

The Council will maintain and improve service delivery standards by working with partners and/or re-allocating resources to deliver improved performance in line with resident feedback. The Council will engage with the community to implement improved self-service arrangements through digital access.

What have we done so far ...

Re-integration of the housing management service. This is expected to generate £1million of savings to the Housing Revenue Account to be reinvested in tenant services.

The expansion and improvement of Newark Lorry Park helps to meet the national need for more secure overnight lorry parking.



Increase participation with the Council and within local communities

The council will engage with residents and community groups in as many ways as possible to ensure that they have a voice in the way that the council delivers services and build communities in which people prosper and support one another.

What have we done so far ...

Introduced webcasting of council/committee meetings to increase citizen engagement

Launched the Parish and Town Initiative Fund

Co-produced the 2019 Parish and Town Council Conference

Held a number of thematic engagement events



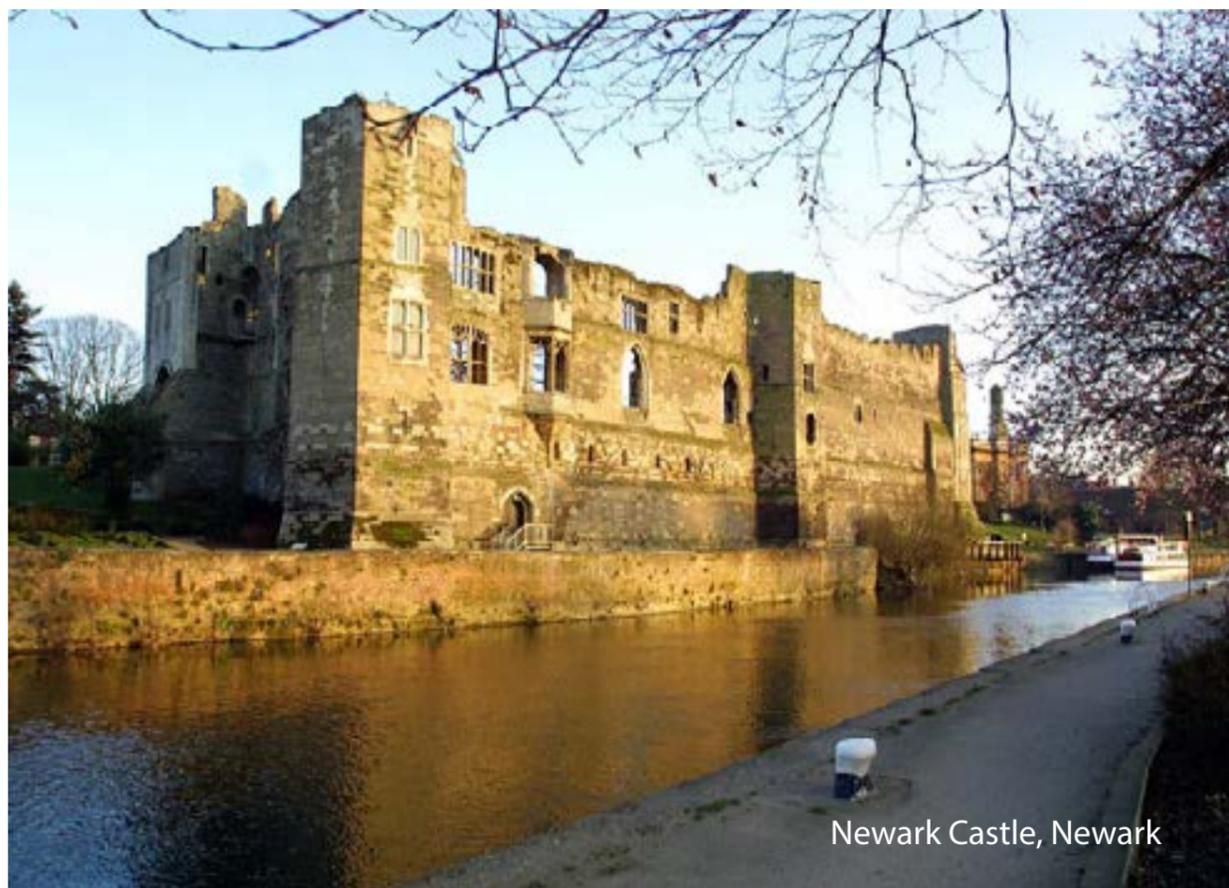
Part five - 2019/2020 Financial performance

Overall outturn

The Comprehensive Income and Expenditure Statement shows the Council's outturn for the authority on an accounting basis (to include notional entries such as depreciation and revaluations). The Expenditure-Funding Analysis shows the actual increase in the General Reserve (held for unforeseen circumstances) and the Housing Revenue Account reserve.

The Expenditure Funding Analysis shows a decrease of £1.089m in the overall General Reserves and an increase of £0.358m in HRA reserves. This is shown in the table below:

Reserve	Balance at 31st March 2019	Increase+/ Decrease- in year	Balance at 31st March 2020
General Fund	£1.500m	£0.000m	£1.500m
General Fund Earmarked Reserves	£25.124m	-£1.089m	£24.035m
HRA	£2.000m	£0.000m	£2.000m
HRA Earmarked Reserved	£4.398m	£0.358m	£4.756m



Newark Castle, Newark

General Fund Revenue

The General Fund supports the day-to-day running of the Council's services (excluding housing).

The Council set its General Fund budget for the 2019/20 Financial Year on 7 March 2019. This can be seen at: <https://bit.ly/3eLLyx2>

This shows a total budget of £15.278m of which £13.486m was to deliver core services. The increase in budget for net cost of services amounted to £1.783m. This is mainly related to increases in pension in year costs (£1.980m). The financial standing of the Council is very robust, with sound and improving financial management and practices. From the table below the Council's General Fund shows an decrease in reserves of £0.963m.

This has been identified as being generated due to:

Favourable variances on services

£0.399m

Additional investment interest income

£0.424m

Increase in debt impairment

-£0.202m

Additional grant income

£0.034m

Additional business rates income

£0.478m

Budgeted movements as identified in revenue budget approved on 7 March 2019

£2.483m

Usage of reserves

-£4.705m

Total decrease in reserves

-£1.089m

This decrease has been allocated in the following way:

Budgeted movements as identified in revenue budget approved on 7 March 2019

£2.483m

Allocation towards the creation of community engagement fund

£0.300m

Allocation towards future organisational development initiatives

£0.833m

Usage of reserves

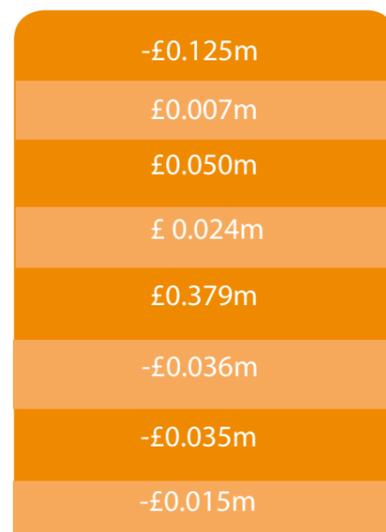
-£4.705m

Total decrease in reserves

-£1.089m

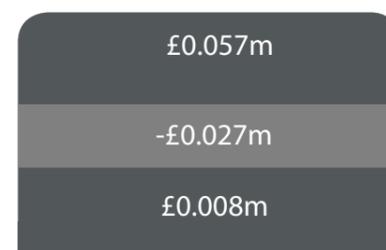
Economic Growth

- Commercial Teams target saving apportioned over this Committee
- Unspent employee budgets throughout the Committee
- Lower than anticipated cost of planning
- Newark Lorry Park - increased parking capacity from mid 2019/20
- Planning fee income exceeding budgeted target
- Newark car park - reduced demand owing to Covid19
- Beacon - reduced rents owing to Covid19
- Other small variances



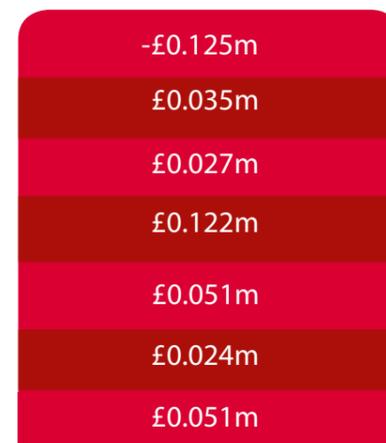
Homes and communities

- Increased income from ICT recharges to HRA & Active 4Today
- Increased ICT licencing and maintenance costs
- Other small variances



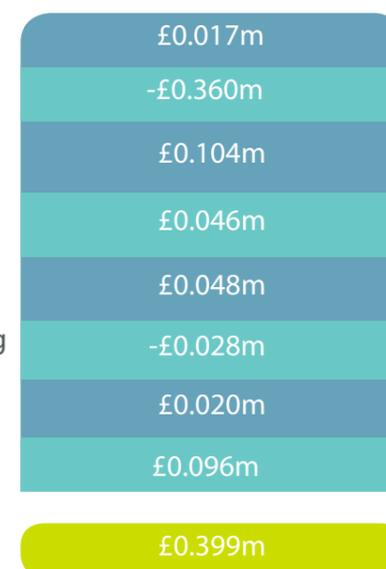
Leisure and Environment

- Commercial Teams target saving apportioned over this Committee
- Unspent employee budgets throughout the Committee
- Domestic refuse collection - reduced payment to Nottinghamshire County Council
- Domestic refuse collection - income increases from garden waste customers, bulky items and replacement bins
- Vehicle pool and workshop - increase in recharge to HRA
- More efficient use of vehicles leading to favourable budget variances
- Other small variances



Policy and finance

- Unspent employee budgets throughout the Committee
- Corporate vacancy savings target 3.5% of salaries
- Net rent allowance
- Net rent rebate
- Council Tax Service recovery of costs raised exceeds budget provision
- Corporate property - Surveyors agency staff required whilst appointing permanent roles
- Election expenses - due to delayed election
- Other small variances



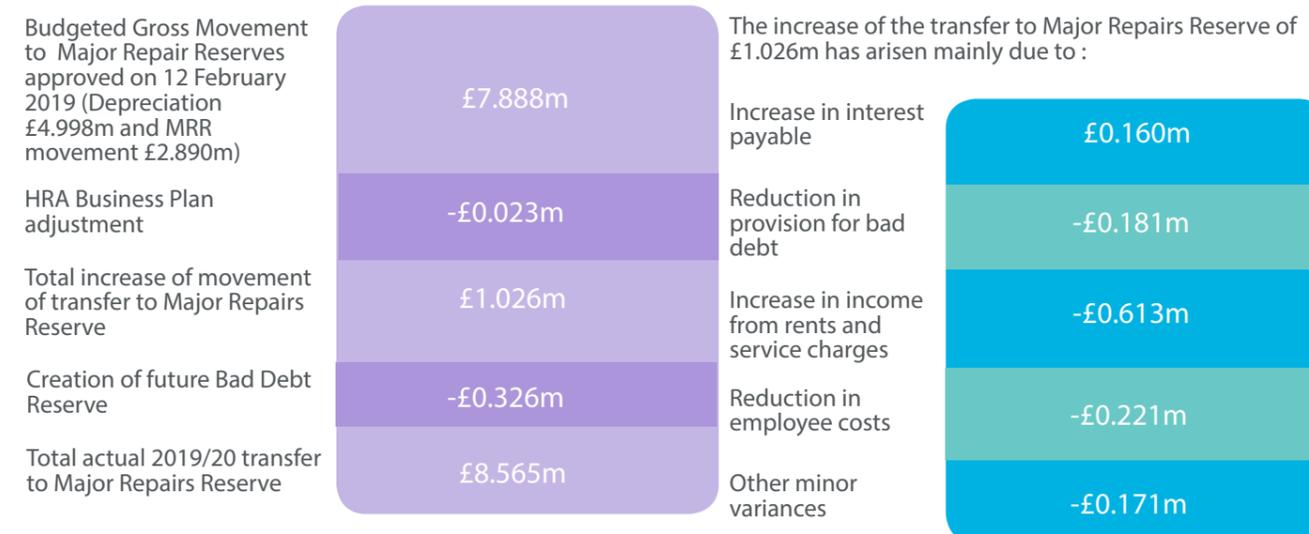
22 Total from all committees

Housing Revenue Account (HRA)

The HRA is a ring-fenced landlord's account for the running of the Council's housing stock.

On 26 September 2019, the Policy & Finance Committee made the decision (<https://bit.ly/2zzQ4Jg>) following an extensive review and tenant consultation, to bring the housing management service in-house for direct service provision by the Council. As of 31 March 2019, 5,490 dwellings and an increase of 50 properties were made under Council development.

The budget was approved on 12 February 2019 (<https://bit.ly/36zhKu9>). This shows the generation of £2.890m in income over and above expenditure that is ring-fenced to be spent on the Council's housing stock. This over achievement of income will be re-invested into the Council's housing stock as part of the Council's 5 year development programme which seeks to deliver 335 additional homes to meet the housing needs of the district.



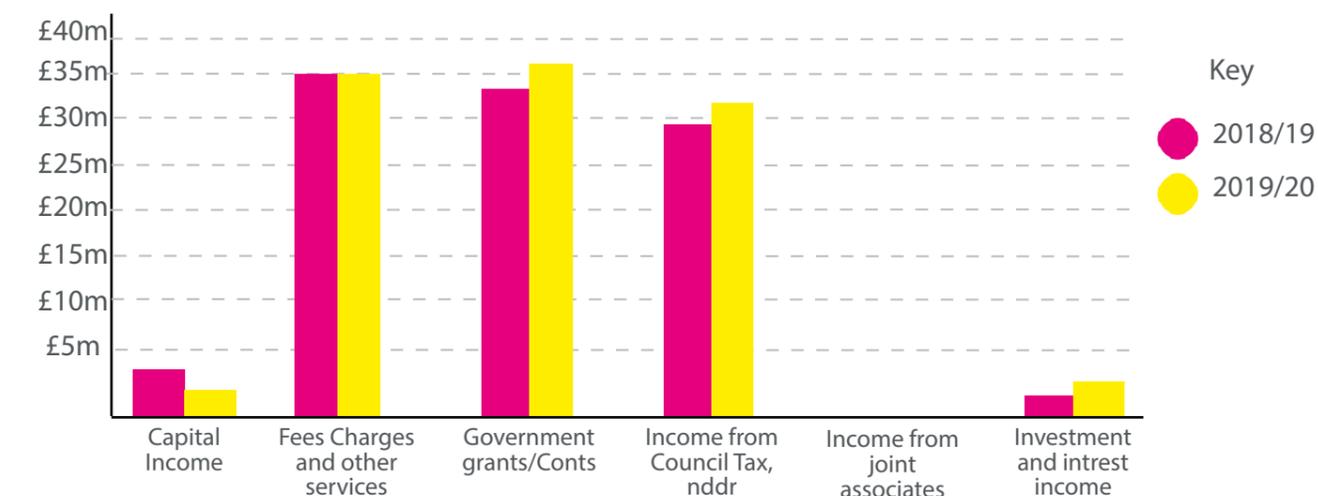
Analysis of total income

The graph below shows the income that has been recognised on the comprehensive income and expenditure statement. This shows that income has increased in year by £3.237m between 2018/19 and 2019/20. The change in income recognised relates to:

Capital Income - £1.025m received 2018/2019 in capital funding from Nottinghamshire County Council as part of the YMCA Activity Village.

Government grants/Conts - £7.450m increase in Government grants to support Business Grants throughout Covid-19, along with a reduction of £2.711m in S106 and community infrastructure levy Income. As well as a £3.200m reduction in government fund in housing benefits and revenue grants.

Investment/interest income - £0.508m additional interest income from the Investment portfolio.



Capital Spending

Capital monies are spent on building or enhancing the Council's asset base. There are rules and regulations regarding what can be classed as capital expenditure and this spend must be financed separately from the day to day running costs of the Council. During 2019/20 the Council spent £22.9m on Capital works.

Key projects were:

Investment in existing Council dwellings to maintain a decent standard. Costs incurred in 2019/20 was £4.947m

The Council is progressing a five year housing development programme to deliver 335 additional homes across the district to meet the housing needs of local residents. Phase two will deliver 50 units, with 40 units completed in 2019/20 and the remaining 10 due for completion by June 2020. Phase three is due to deliver 50 to 60 units (depending on sites obtaining planning permission), with 17 units over eight sites started in the latter part of 2019/20. Total spend during 2019/20 £6.725m.

Boughton Extra Care Facility is progressing to deliver 40 units in addition to the new build programme and is due for completion in summer of 2021. Expenditure incurred in 2019/20 £1.769m.

£0.652m was spent on Disabled Facilities Grants following referrals from occupational therapists.

As part of the annual Vehicles, Plant and Equipment replacement programme, in 2019/20 incurred spend of £1.244m, replacing 20 vehicles ranging from small vans, to Refuse Collection Vehicles.

The Council spent £0.571m to purchase 32 Stodman Street, Newark as a part of its Community Plan Town Centre objectives.

Equity funding of £4m invested in its wholly owned Development Company – Arkwood Developments.

The Council, in partnership with MF Strawson Ltd set up a Joint Venture company, RHH Ltd as a vehicle for the redevelopment of the former Robin Hood Hotel. Both parties have agreed to make a capital contribution by way of a loan, which has amounted to £0.708m for the Council in 2019/20.



Buttermarket, Newark

Balance sheet

Provisions

The Council's most significant provisions relate to the Business Rates valuation appeals. Following Business Rates localisation, introduced in 2013, the Council has had to set aside a provision for any future successful ratepayer appeals against rateable valuations. The Council currently has 47 appeals outstanding. For the 2017 valuation list a new check, challenge and appeal process was introduced in order to create a structured way of allowing ratepayers to appeal against their valuation. The council currently has 302 challenges outstanding. The table below shows the year-end balance of the provision together with the amount of the provision used in the year in respect of the successful appeals:

	2018/19	2019/20
Opening business rates provision for appeals	£2.851m	£3.405m
Business rates provision used based on successful appeal	-£0.860m	-£0.535m
Provisions made	£1.414m	-£1.191m
Closing business rates provision for appeals	£3.405m	£1.679m

Cash Flow

Cash and Cash Equivalents have decreased by £9.140m throughout the year to £23.519m which relates to an increase in the capital programme for 2019.20 and therefore invoice payments to creditors.

Property, Plant and Equipment (PPE)

Property, Plant & Equipment increased by £17.290m. £16.990m has been added through the capital programme, economic use of assets has reduced the value by £6.339m, £2.124m has met the criteria to be transferred to assets held for sale, the Council has also disposed of assets to the value of £0.634m and assets have had their values increased by £9.397m.

Short term debtors

Short Term Debtors has increased from £7.772m to £15.807m (a change of £8.035m) mainly relating to the accrual of £7.500m income due to the Council from the Government for COVID-19 business grant payments.

Pension Liability

The Pension liability decreased by £3.879m from £75.368m to £71.489m culminating mainly from an expected increase in the council's return of its portion of the pension fund assets in excess of interest.

Long Term Investment – Available for Sale

The Council made some long term investments during the financial year, the Council invested £4m into CCLA property fund and £3.5m into CCLA diversified income fund. Also the Council invested £4m of capital equity into Arkwood Development Ltd. All three investments have been revalued to their fair value as at 31.3.20.

Part six - Looking forward Community Plan

The Community Plan 2019-2023 and was updated at the Policy and Finance Committee on the 20 February 2020. It is available on our website at <https://bit.ly/36H2qM4>



Improve the cleanliness and appearance of the local environment



Reduce crime and anti-social behaviour, and increase feelings of safety in our communities



Improve transport infrastructure to reduce congestion and facilitate growth



Build more homes and provide an excellent housing management service



NEWARK & SHERWOOD DISTRICT COUNCIL



Increase visits to the district and the use of visitor attraction by local residents



Protect, promote and enhance the district's natural environment and deliver the Council's environment ambitions



Enhance and sustain Town Centre



Improve the quality of life and social mobility in target areas



Improve the health and wellbeing of local residents



Increase participation with the council and within the local communities



Continue to modernise working with practices and embed a stronger commercial culture to improve value for money, generate more income and increase residents' satisfaction

Looking forward Beyond Covid-19

With the emergence of Covid-19 in the final quarter (January-March) of the 2019-20 financial year, and implications that will run far beyond, Newark and Sherwood District Council will continue to look carefully at the pandemic and its effect – and to respond accordingly.

Provision of Services

At the time of writing, a full review of service provision during the period of the pandemic is being undertaken. However, in summary, Newark and Sherwood District Council responded to the pandemic by adapting a number of services:

The Government's business grants were distributed by the Council's Revenues and Benefits and Financial Services teams, along with other forms of financial support

Domestic waste collections were altered to enable staff to adhere to Government guidelines for social distancing whilst still providing this essential frontline service. The impact on trade and other waste services will be assessed

Housing services adjusted their practices to respond to the pandemic, particularly during the lockdown and concerning repair work in homes

HART (Humanitarian Action Response Team) was established as a new team to lead on efforts locally, coordinating community work to help vulnerable residents

Leisure (including parks), arts and tourism all provided different methods of service delivery

Many other services provided by the Council were also affected.

Councils Workforce -

Newark and Sherwood District Council was agile in its transition to homeworking for the majority of the workforce. Some staff were redeployed to support the frontline work of HART and also to support the Council's emergency planning and response function more generally. Additionally, many staff members engaged with the Local Resilience Forum. However, the Council also utilised the Coronavirus Job Retention Scheme (furlough) for the portion of the workforce whose roles could not be performed from home. Sickness levels were carefully monitored by the Council's Human Resources team and concrete plans for role/function resilience in the case of staff absence were in place.

With the emergence of Covid-19 in the final quarter (January-March) of the 2019-20 financial year, and implications that will run far beyond, Newark and Sherwood District Council will continue to look carefully at the pandemic and its effect – and to respond accordingly.

As part of a multi-agency response the Council worked with the Nottinghamshire Local Resilience Forum (LRF) to have robust plans in place for helping local people. There are 38 LRFs in England which are made up of emergency services, a range of government agencies, health bodies and local authorities.



Looking forward Medium term financial plan

The year 2020/21 was due to be the first year of the Government's latest Comprehensive Spending Review period. The Medium Term Financial Plan (MTFP) that was approved in March 2019 expected shortfalls in funding each year post 2019/20. This was the expected impact due to the plans to reform local Government finance, but due to the ministerial time that was spent on Brexit, the impact of this was delayed by a year.

At the point of approving the MTFP for 2020/21 (9th March 2020 <https://bit.ly/2Xt39xs>) the scale of the impact of the COVID-19 pandemic had not yet been felt.

This suggested that over the term of the MTFP there would be budget shortfalls in each year post 2020/21. The table below shows the anticipated levels of expenditure, Business rates and Council Tax income.

	2020/21	2021/22	2022/23	2023/24
Net Service Expenditure (less capital charges)	£12.181m	£12.459m	£12.549m	£12.624m
Total Other Expenditure	£1.342m	£1.275m	£1.302m	£1.943m
Total Expenditure	£13.523m	£13.734m	£13.851m	£14.567m
Total Business Rates	-£7.724m	-£5.316m	-£5.379m	-£5.435m
Council Tax	-£7.018m	-£7.245m	-£7.484m	-£7.729m
Other Grants	-£0.122m	£0.000m	£0.000m	£0.000m
Contribution (to) or from Reserves	-£1.341m	£1.173m	£0.988m	£1.403m

The MTFP identified that the additional contribution to reserves for 2020/21 would be used to contribute to shortfalls in 2021/22 and 2022/23 together with dividends from the Council's development company – Arkwood Developments Ltd, service reviews and additional commercial income as mitigating the future shortfalls.

Now that the impact of COVID-19 has been felt, the Government have announced that the reform to the local government finance system that was due during the 2020/21 financial year, will now not take place and the allocations will again be rolled forward into 2021/22.

The impact of COVID-19 will have a wide range of effects for local government with additional pressures on service delivery and loss of income through fees and charges for services. The length of existence with COVID-19 and social distancing will determine whether this has a lasting effect on local Government finances and how the reform to the local government finance system works.

The Council will continue to monitor the national picture whilst reviewing the MTFP, to ensure that resources are available to deliver the services that are needed to our residents and businesses.

Part seven - Corporate risks

A risk management strategy is in place to identify and evaluate risk. There are clearly defined steps to support better decision making through the understanding of risk, whether a positive opportunity or threat, and the likely impact. The risk management processes are subject to regular review and updating. Set out below are the key risks from the Council's corporate risk register.

Risk	Description	Key Mitigation techniques
Financial Sustainability - General Fund	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives	Annual review of Budgets and Medium Term Financial Plan. Council approved Capital Programme. Consultation & Communication plan to manage political and public expectations. Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee.
Financial Sustainability - HRA	Ensuring financial sustainability of the General Fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives	Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee. Quarterly Capital monitoring meetings. Financial implications added to Committee reports by Financial Services. Financial strategies and budget reviewed through Policy and Finance Committee annually
Failure to deliver growth infrastructure	Facilitating the provision of local infrastructure to ensure growth within the district to meet agreed plans and corporate priorities.	Lobby central government for a bypass for the A46 Establishment of Arkwood Housing Growth strategy put in place HRA 5 year programme Prosperity Agenda is the main priority for the council including funding scheme for new business development

Risk	Description	Key Mitigation techniques
Workforce	Ensuring the Council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.	<p>Approved Community Plan and priorities</p> <p>Workforce is established at operating in an agile working environment.</p> <p>Continual development through an established training and development programme.</p> <p>The Councils Commercial Projects Development Team has been created to develop and implement commercial opportunities for the council.</p> <p>Visible leadership.</p> <p>Annual employee planning process.</p> <p>Use of Apprenticeships to support service areas and support succession management.</p> <p>Approved corporate priorities within the Community Plan 2019-23</p>
Loss of community cohesion	The risk of vulnerable communities with NSDC feeling disengaged, excluded or being unable to access available services and opportunities.	<p>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 representatives from district councils.</p> <p>Equality Strategy, Equality Impact Assessments, Quarterly Equality Steering Group.</p> <p>Community Safety Partnership Work</p>
Arkwood development company	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement.	<p>Established a shareholder committee and agreed membership.</p> <p>Approval to release funds for Arkwood sought with shareholder committee report to the Policy and Finance committee.</p> <p>Monthly officer contract meetings between Arkwood and council</p>

Risk	Description	Key Mitigation techniques
Safeguarding	Preventing failures within safeguarding arrangements to ensure protection of vulnerable persons	<p>Regular liaison meetings with the DWP</p> <p>Creation of joint office space in the Councils new headquarters at Castle House to enable partnership working with DWP Briefings for stakeholders and landlords delivered by DWP.</p> <p>Annual review and report to SLT</p> <p>Corporate safeguarding group meet quarterly</p> <p>Annual Review and Update of the Council's Safeguarding Policy</p>
Corporate Governance	Risk of failure in systems of governance within the Council, Council owned/influenced organisations and partnerships or other collaborative arrangements.	<p>Internal Audit work including risk based Audit Plan.</p> <p>Officer code of conduct. Member induction at the start of each new Council cycle.</p> <p>Peer Challenge undertaken which included a focus on governance with recommendations to review and action plan developed.</p> <p>Governance review ongoing with support from LGA.</p>
Brexit	Effects of Brexit on the council's ability to deliver services and to the sustainability of its communities.	<p>Work with the National Farmers' Union to understand the implications of Brexit.</p> <p>An internal audit report on Brexit preparation given substantial assurance. In liaison with all local and national agencies through active membership of the Local Resilience Forum.</p> <p>Full participation and engagement with the Local Resilience Forum.</p> <p>Horizon scanning – look at the key messages relating to Brexit from Central government.</p>

Risk	Description	Key Mitigation techniques
Data management and security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation	<p>External Audit on ICT security annually.</p> <p>Cryptshare for encrypting secure emails and large files for email. Airwatch MDM (Mobile Device Management) implementation for mobile devices. Encryption for laptops.</p> <p>Data protection training including a section on information security and targeted training ongoing for staff located</p>
Emergency response	The Council's ability to effectively respond as a category 1 responder to a major emergency and maintain a suitable response without affecting essential service delivery.	<p>Emergency plans in place with county council support.</p> <p>Agile working arrangements. Local Resilience Forum and annual risk assessment.</p> <p>Facilitation of Government grant scheme in flood affected areas to enhance future resilience.</p> <p>Agile working arrangements.</p> <p>Corporate budget available to support flood alleviation schemes.</p>
Supply chain failures and contract management	Managing contracts with key suppliers, including NSDC wholly own companies, to ensure the continued delivery of an effective service and ensure delivery of the council's priorities and objectives..	<p>Business continuity insurance where required.</p> <p>Legal Services assesses all contracts.</p> <p>Senior Leadership Team oversight of large contracts.</p> <p>Named contract manager highlighted for each contract.</p> <p>Regular monitoring of key contracts.</p>

Part eight - Explanation of Financial Statements

The Statement of Accounts sets out the Councils income and expenditure for the year, and its financial position at 31 March 2020. It comprises core and supplementary statements, together with disclosure notes.

The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, which in turn is underpinned by International Financial Reporting Standards;

A Glossary of key terms is in The Statement of Accounts document which can be found at <https://www.newark-sherwooddc.gov.uk>

The core statements are:

The Comprehensive Income and Expenditure Statement records all of the Council's income and expenditure for the year. The top half of the statement provides an analysis by the Councils internal management structure. The bottom half of the statement deals with corporate transactions and funding. Expenditure represents a combination of:

Services and activities that the council is required to carry out by law (statutory duties) such as street cleaning, planning and registration; and,

Discretionary expenditure focused on local priorities and needs.

The Movements in Reserves Statement which shows the movement in the year on the different reserves held by the authority, analysed into "usable reserves" (ie those that can be applied to fund expenditure or reduce local taxation) and "unusable reserves" which must be set aside for specific purposes.

The Balance Sheet is a "snapshot" of the council's assets, liabilities, cash balances and reserves at the year end date.

The Cash Flow Statement shows the reason for the changes in the Councils cash balances during the year, and whether the change is due to operating activities (day-to-day costs), new investment, or financing activities (such as repayment of borrowing and other long term liabilities).

The Supplementary Financial Statements are:

The Annual Governance Statement which sets out the governance structures of the Council and its key internal controls.

The Housing Revenue Account which separately identifies the Councils statutory landlord function as a provider of social housing under the Local Government and Housing Act 1989.

The Collection Fund Account summarises the collection of council tax and business rates, and the redistribution of some of that money to other organisations on whose behalf the council collects these taxes.

The Group Accounts which consolidate the council's accounts together with Active4Today Ltd and Arkwood Development Ltd, which are both wholly owned by the District Council.

MOVEMENT IN RESERVES STATEMENT

Movement in reserves 2019/20	General	Earmarked	Earmarked	Earmarked	Major	Capital	Capital	Total	Total	Total
	Fund	General	Housing	Housing	Repairs	Grants	Receipts	Usable	Unusable	Council
	Balance	Fund	Revenue	Revenue	Reserve	Unapplied	Reserve	Reserves	Reserves	Reserves
	£'000	Reserves	Account	Account	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019 carried forward	1,500	25,124	2,000	4,398	10,107	6,991	9,673	59,793	151,590	211,383
Total Comprehensive Income and Expenditure	1,760	0	-16,814	0	0	0	0	-15,054	38,659	23,605
Adjustment between accounting basis & funding basis under regulations (Note 13)	-2,849	0	17,172	0	1,593	1,467	-4,219	13,164	-13,164	0
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	-1,089	0	358	0	1,593	1,467	-4,219	-1,890	25,495	23,605
Transfers to/from(-) Earmarked Reserves(Note 14)	1,089	-1,089	-358	358	0	0	0	0	0	0
Increase/Decrease(-) in 2019/20	0	-1,089	0	358	1,593	1,467	-4,219	-1,890	25,495	23,605
Balance at 31 March 2020 carried forward	1,500	24,035	2,000	4,756	11,700	8,458	5,454	57,903	177,085	234,988

RESTATED

Movement in reserves 2018/19	General	Earmarked	Earmarked	Earmarked	Major	Capital	Capital	Total	Total	Total
	Fund	General	Housing	Housing	Repairs	Grants	Receipts	Usable	Unusable	Council
	Balance	Fund	Revenue	Revenue	Reserve	Unapplied	Reserve	Reserves	Reserves	Reserves
	£'000	Reserves	Account	Account	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2018 carried forward	1,737	21,512	2,000	3,113	6,573	5,424	9,565	49,924	145,659	195,583
Total Comprehensive Income and Expenditure	2,089	0	-7,085	0	0	0	0	-4,996	20,796	15,800
Adjustment between accounting basis & funding basis under regulations (Note 13)	1,286	0	8,370	0	3,534	1,567	108	14,865	-14,865	0
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	3,375	0	1,285	0	3,534	1,567	108	9,869	5,931	15,800
Transfers to/from(-) Earmarked Reserves(Note 14)	-3,612	3,612	-1,285	1,285	0	0	0	0	0	0
Increase/Decrease(-) in 2018/19	-237	3,612	0	1,285	3,534	1,567	108	9,869	5,931	15,800
Balance at 31 March 2019 carried forward	1,500	25,124	2,000	4,398	10,107	6,991	9,673	59,793	151,590	211,383

BALANCE SHEET

RESTATED 31 March 2019 £'000	Notes	31 March 2020 £'000
354,634	22	371,924
2,035	26	2,020
288	28	268
0	41	10,536
461	30	801
357,418		385,549
9,908	41	8,076
306		305
7,772	30	15,807
1,120	27	1,170
32,659	25	23,519
51,765		48,877
-6,967	41	-9,350
-15,494	31	-18,591
-1,457	32	-391
-786	20	-898
-24,704		-29,230
-4,839	31	-7,210
-1,948	32	-1,288
-224	43	-224
-84,556	41	-83,830
-75,364	39	-71,489
-6,165	20	-6,167
-173,096		-170,208
211,383		234,988
59,793	33	57,903
151,590	34	177,085
211,383		234,988

CASH FLOW STATEMENT

RESTATED 2018/19 £'000	Notes	2019/20 £'000
-4,996		-15,054
27,266	36A	31,608
-10,346	36A	-6,828
11,924		9,726
-5,110	36C	-21,080
10,577	36D	2,214
17,391		-9,140
15,268		32,659
32,659	25	23,519

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 2019/2020 financial year and its position at the year-end of 31 March 2020. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2019/2020 (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 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.

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 and its accounts are consolidated with the Council's in accordance with IAS 27.

1.13 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.

1.14 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.

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

1.20 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.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Code of Practice requires that, where new or amended accounting standards have been issued but not adopted by 31st March 2020, the Council discloses the impact that this change would have had on the current year's financial statements had it already been adopted. The following changes to accounting standards will be applicable to the Council's accounts from 1 April 2020:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

It is not anticipated there will be any significant changes to the accounts as a result of these amendments.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council is a trustee of Southwell Leisure Centre Trust which operates the leisure centre at Southwell. It has been determined that the Council does not have control of the Trust and it is therefore, not a subsidiary of the Council.
- The Council uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Assumptions are based, on observable data as far as possible, but this is not always available. In such a case the best information available would be used. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2020 for which there may be a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>Due to the outbreak of the Novel Coronavirus (Covid-19) all the asset valuations have been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuations than would normally be the case.</p>	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.
Fair Value Measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured, based on quoted prices in active markets (i.e. domestic Level 1 inputs), their fair value is measured using valuation techniques (eg quoted prices for similar assets or liabilities in active markets or the discounted cash flow (DCF) model). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value.</p>	<p>The Council uses a combination of indexation techniques, beacon valuations and discounted cash flow (DCF) models to measure the fair value of its Surplus Assets and Assets Held for Sale under IFRS13 depending on which technique it considers most appropriate. The significant unobservable inputs used in the fair value measurement include management assumptions regarding rent growth, occupancy levels, floor area repairs backlogs, beacon classifications and others. Significant changes in any of the unobservable inputs would result in a significantly lower or higher fair value measurement for these assets.</p>
Provision - Business Rates	<p>Since the introduction of the Business Rates Retention Scheme effective from 1st April 2013 local authorities are liable for successful appeals against business rates charged to businesses in 2019/20 and earlier financial years in their proportionate share. A provision has been recognised for the best estimate of the amount that businesses have been overcharged up to 31st March 2020. Estimation of backdated appeals was provided by Analyse Local. This assumes that various amounts of appeals are received, and then subsequently agreed.</p>	Decrease in collection amount of NNDR, leaving the Council with a reduced amount of funding for Services. 40% of any reduction would impact upon the Council.
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured; however, the assumptions interact in complex ways. During 2019/20, the Council's actuaries advised that the net pensions liability had decreased by £10.2m attributable to updating of the assumptions.</p>

	<p>The Council participates in the Nottinghamshire Pension Fund (NPF). NPF property valuation as at 31 March 2020 includes a 'material valuation uncertainty' clause that explains that, market activity is being impacted in many sectors and the property valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.</p> <p>The Council's share of property assets, subject to the 'material valuation uncertainty' declaration by NPF, as set out in Note 39, is £14.9m, which is material to the Council's financial statements.</p>	An increase in the discount rate would, if all other factors remained unchanged, result in a decrease in the present value of the defined benefit obligation.
Arrears	<p>At 31 March 2020, the Council had a balance of short term debtors totalling £15.623m. A review of significant balances suggested that a loss allowance of £2.434m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	If collection rates were to deteriorate, a doubling of the amount of the loss allowance would require an additional £2.434m to set aside as an allowance.
Britain leaving the European Union: asset values and pension liability	<p>There is a high level of uncertainty about the implications of Britain leaving the European Union. At the current time there are three possible scenarios: a 'no deal' Brexit, an agreement with a transition period and an extension to EU membership of unknown length. It is not possible to predict which path will be taken and whether asset values and the discount rate will consequently change. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate. However, this assumption needs to be revisited and reviewed regularly.</p>	Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.
COVID-19	<p>The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a Global Pandemic on 11 March 2020 has impacted on global financial markets and market activity is being impacted in many sectors. On the 23 March 2020 the UK was placed in lockdown to try and reduce the impact of the virus. This has significantly impacted the Council's ability to generate income. The Council has had to perform additional duties due to the demands placed on Local Government to deliver Community Hubs and Business Rate Grant Support. This has resulted in additional costs, which in turn could have an adverse affect on the Council's reserves.</p>	Further reduction in the Council's ability to generate income will have a greater adverse effect on the Council's reserves.

5 MATERIAL ITEMS OF INCOME AND EXPENDITURE

During 2019/2020 there were no material transactions, which are not disclosed separately.

6 MATERIAL INTEREST IN JOINT BODIES

The Council appoints six of the nine Trustees of the Southwell Leisure Centre Trust and provides grant aid which amounted to £0.133m in 2019/2020 (2018/2019 £0.147m). The Trust is administered in accordance with the Scheme of Administration established 24th October 1974 as amended by the Charity Commissioners on the 29th December 1983. The object of the Trust is to establish and maintain leisure facilities for the inhabitants of Southwell and district and to achieve a breakeven position on operations.

The Council has a joint interest in Mansfield Crematorium. The annual net surplus from the running of the crematorium amounts to £0.045m (2018/2019 £0.044m) and is included within Other Operating Income and Expenditure. The Council also includes its share of the assets and liabilities of the crematorium in its Balance Sheet. For a more detailed breakdown please see Note 38.

7 POST BALANCE SHEET EVENT

The final Audited Statement of Accounts will be authorised for issue by the Deputy Chief Executive and Director of Resources S151 Officer on 22 July 2020. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8 TRUST FUNDS

The Council acts as sole trustee for two Trusts:

The W.E. Knight Trust

A permanently endowed charity established by an indenture dated 6 January 1920 as varied by a conveyance of 6 July 1933 by the Trustees to the Mayor, Aldermen and Burgesses of the Borough of Newark-on-Trent. Separate accounts for this Charity have been maintained since 1 April 1984. Up to that date the costs of administering the Trust and any income received had been included in the accounts of the Borough and District Councils. The Trustees resolved at their meeting on the 22 July 2013 to retain the income earned by the endowment until a significant sum had been accrued at which time a decision on distribution would be taken.

The Gilstrap Endowment

The history of the Gilstrap charity is that in 1883 Sir (then Mr) William Gilstrap gave land in Castlegate on trust to the Borough of Newark for the purposes of a library. In 1884 the former Borough of Newark made a "one-off" payment to the Trust of £1,200 to be invested in compensation of loss of income, to enable the whole of the Castle Grounds to be laid out as "public walks and pleasure grounds". The accounts in respect of the Endowment were maintained by Nottinghamshire County Council until 31 March 1987 when Newark and Sherwood District Council took over as Trustees consequent upon the County Council acquiring a new site for a Central Library. The District Council agreed a new scheme of administration which was sealed by the Charity Commissioners on the 28 August 1990 and applied the income of the Endowment to the upkeep and use of the Gilstrap building. From 1 April 2013, the Gilstrap building was leased to Nottinghamshire County Council with the rental income being applied in fulfilment of the Trust objectives. The new arrangements were approved by the Charity Commission prior to agreement of the lease.

9 EXPENDITURE AND FUNDING ANALYSIS

This note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

RESTATED 2018/19			2019/20			
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustment between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement	
£'000	£'000	£'000	£'000	£'000	£'000	£'000
1,315	150	1,465	1,111	1,139	2,250	Economic Development
2,274	352	2,626	2,337	410	2,747	Homes and Communities
3,540	2,555	6,095	3,680	1,324	5,004	Leisure and Environment
4,339	1,435	5,774	4,416	453	4,869	Policy and Finance
-13,931	18,869	4,938	-13,325	27,215	13,890	Housing Revenue Account
-2,463	23,361	20,898	-1,781	30,541	28,760	Net Cost of Services
-2,197	-13,705	-15,902	2,512	-16,218	-13,706	Other Income and Expenditure
-4,660	9,656	4,996	731	14,323	15,054	Surplus(-)/Deficit
General Fund & Earmarked Reserve	HRA & Earmarked Reserve	Total	General Fund & Earmarked Reserve	HRA & Earmarked Reserve	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
-23,249	-5,113	-28,362	-26,624	-6,398	-33,022	Opening Balance
-3,375	-1,285	-4,660	1,089	-358	731	Surplus(-) or Deficit on Balances in Year
-26,624	-6,398	-33,022	-25,535	-6,756	-32,291	Closing Balance at 31 March
Closing Balances Split by Reserve:						
-1,500	-2,000	-3,500	-1,500	-2,000	-3,500	Working Reserve
-25,124	-4,398	-29,522	-24,035	-4,756	-28,791	Earmarked Reserve
-26,624	-6,398	-33,022	-25,535	-6,756	-32,291	Closing Balance at 31 March

10 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the			Total Adjustments
	Adjustments for Capital Purposes	Pensions Adjustments	Other Differences	
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
Economic Development	978	114	47	1,139
Homes and Communities	344	83	-17	410
Leisure and Environment	1,225	136	-37	1,324
Policy and Finance	206	290	-43	453
Housing Revenue Account	23,116	4,099	0	27,215
Net Cost of Services	25,869	4,722	-50	30,541
Other income and expenditure from the Expenditure and Funding Analysis	-16,992	1,606	-832	-16,218
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	8,877	6,328	-882	14,323

Adjustments between Funding and Accounting Basis 2018/19

RESTATED Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Net change for the			Total Adjustments
	Adjustments for Capital Purposes	Pensions Adjustments	Other Differences	
	(Note 1)	(Note 2)	(Note 3)	
	£'000	£'000	£'000	£'000
Economic Development	-60	210	0	150
Homes and Communities	190	162	0	352
Leisure and Environment	2,298	257	0	2,555
Policy and Finance	263	1,172	0	1,435
Housing Revenue Account	18,367	502	0	18,869
Net Cost of Services	21,058	2,303	0	23,361
Other income and expenditure from the Expenditure and Funding Analysis	-15,369	2,013	-349	-13,705
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	5,689	4,316	-349	9,656

The following headings of other operating expenditure, financing and investment income and expenditure and taxation and non-specific grant income and expenditure all relate to the comprehensive income and expenditure statement. The Expenditure and Funding Analysis groups all the headings under 'Other income and expenditure'.

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

11 EXPENDITURE AND INCOME ANALYSED BY NATURE

The Council's expenditure and income is analysed as follows:

Expenditure/Income 2019/20	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-5,277	-973	-1,710	-2,601	-24,433	0	-34,994
Income on Joint Associates	0	0	0	0	0	-127	-127
Interest and Investment Income	0	0	0	0	0	-1,067	-1,067
Income from Council Tax	0	0	0	0	0	-9,765	-9,765
Income from Non Domestic Rates	0	0	0	0	0	-22,814	-22,814
Income for Business's COVID-19 grants	0	0	0	0	0	-7,450	-7,450
Housing Benefit Subsidy Rent Allowance	0	0	0	-11,089	0	0	-11,089
Housing Benefit Subsidy Rent Rebates	0	0	0	-9,510	0	0	-9,510
Grants and Contributions	-57	-824	0	-489	0	-6,265	-7,635
Disposal of Assets	0	0	0	0	0	-2,182	-2,182
Total Income	-5,334	-1,797	-1,710	-23,689	-24,433	-49,670	-106,633
Employee Expenses	3,299	2,417	3,688	4,811	9,275	0	23,490
Other Service Expenses	3,333	1,783	2,116	2,836	5,889	615	16,572
Housing Benefit Rent Allowance	0	0	0	11,145	0	0	11,145
Housing Benefit Rent Rebates	0	0	0	9,560	0	0	9,560
Expenditure on Joint Associates	0	0	0	0	0	144	144
Developers Contribution Payment	0	0	0	0	0	461	461
Depreciation, Amortisation and Impairment	952	344	910	206	23,077	0	25,489
Changes in Fair Value	0	0	0	0	0	964	964
Interest Payments	0	0	0	0	82	5,700	5,782
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	13,963	13,963
Precepts and Levies	0	0	0	0	0	3,471	3,471
Payments to Business's for COVID-19	0	0	0	0	0	7,450	7,450
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	443
Disposal of Assets	0	0	0	0	0	2,753	2,753
Total Operating Expenses	7,584	4,544	6,714	28,558	38,323	35,964	121,687
Surplus(-)/Deficit on Provision of Services	2,250	2,747	5,004	4,869	13,890	-13,706	15,054

Expenditure/Income 2018/19	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
RESTATED	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-4,994	-1,616	-1,831	-2,477	-25,114	-1,123	-37,155
Income on Joint Associates	0	0	0	0	0	-132	-132
Interest and Investment Income	0	0	0	0	0	-566	-566
Income from Council Tax	0	0	0	0	0	-9,331	-9,331
Income from Non Domestic Rates	0	0	0	0	0	-19,106	-19,106
Government Grants and Contributions	-56	-928	-83	-23,971	0	-9,012	-34,050
Disposal of Assets	0	0	0	0	0	-2,253	-2,253
Total Income	-5,050	-2,544	-1,914	-26,448	-25,114	-41,523	-102,593
Employee Expenses	3,118	2,379	3,587	5,584	0	0	14,668
Other Service Expenses	3,570	2,601	3,504	26,375	11,668	323	48,041
Expenditure on Joint Associates	0	0	0	0	0	88	88
Developers Contribution Payment	0	0	0	0	0	504	504
Depreciation, Amortisation and Impairment	-173	190	918	263	18,308	0	19,506
Interest Payments	0	0	0	0	76	5,870	5,946
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	11,678	11,678
Precepts and Levies	0	0	0	0	0	3,344	3,344
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	443
Disposal of Assets	0	0	0	0	0	3,371	3,371
Total Operating Expenses	6,515	5,170	8,009	32,222	30,052	25,621	107,589
Surplus(-)/Deficit on Provision of Services	1,465	2,626	6,095	5,774	4,938	-15,902	4,996

12 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of a Council are required to be paid into and which all liabilities of the Council are to be met from, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. For housing authorities however, the balance is not available to be applied to funding HRA services.

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Council is required to maintain the Major Repairs Reserve, which controls an element of the capital resources, limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the yearend.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the yearend.



2019/20 Usable Reserves	General Fund Balance £'000	Housing Revenue Account £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Movement Unusable Reserves £'000
Adjustments to the Revenue Resources						
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with						
Pensions costs (transferred to (or from) the Pensions Reserve)	-1,942	-4,386	0	0	0	6,328
Financial instruments (transferred to the Financial Instruments Adjustments)	-908	0	0	0	0	908
Council tax and NDR (transfers to (or from) Collection Fund)	1,741	0	0	0	0	-1,741
Holiday pay (transferred to the Accumulated Absences Reserve)	50	0	0	0	0	-50
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital):	-1,221	-23,425	0	-1,650	0	26,296
Total Adjustments to Revenue Resources	-2,280	-27,811	0	-1,650	0	31,741
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	63	2,113	0	0	-2,176	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-39	0	0	39	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-443	0	0	0	443	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,565	-8,565	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	519	0	2,024	0	0	-2,543
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	4,990	0	0	0	0	-4,990
Total Adjustments between Revenue and Capital Resources	5,129	10,639	-6,541	0	-1,694	-7,533
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	5,913	-5,913
Use of the Major Repairs Reserve to finance capital expenditure	0	0	4,948	0	0	-4,948
Application of capital grants to finance capital expenditure	0	0	0	183	0	-183
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	4,948	183	5,913	-11,044
Total Adjustments	2,849	-17,172	-1,593	-1,467	4,219	13,164

RESTATED	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Movement Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000
2018/19 Usable Reserves						
Adjustments to the Revenue Resources						
Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:						
Pensions costs (transferred to (or from) the Pensions Reserve)	-3,560	-757	0	0	0	4,317
Financial instruments (transferred to the Financial Instruments Adjustments)	4	0	0	0	0	-4
Council tax and NDR (transfers to or from Collection Fund)	345	0	0	0	0	-345
Holiday pay (transferred to the Accumulated Absences Reserve)	0	0	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital):	884	-18,072	0	-2,200	0	19,388
Total Adjustments to Revenue Resources	-2,327	-18,829	0	-2,200	0	23,356
Adjustments between Revenue and Capital Resources						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts	179	2,072	0	0	-2,251	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	0	-46	0	0	46	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	-443	0	0	0	443	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	8,433	-8,433	0	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	492	0	1,022	0	0	-1,514
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	813	0	0	0	0	-813
Total Adjustments between Revenue and Capital Resources	1,041	10,459	-7,411	0	-1,762	-2,327
Adjustments to Capital Resources						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0	1,654	-1,654
Use of the Major Repairs Reserve to finance capital expenditure	0	0	3,877	0	0	-3,877
Application of capital grants to finance capital expenditure	0	0	0	633	0	-633
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	0	0	3,877	633	1,654	-6,164
Total Adjustments	-1,286	-8,370	-3,534	-1,567	-108	14,865

13 TRANSFERS TO/FROM(-) EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure during the financial year.

RESTATED	Balance as at 31st March 2018 £'000	Movement in Year £'000	Balance as at 31st March 2019 £'000	Movement in Year £'000	Balance as at 31st March 2020 £'000
General Fund for known pressures Reserves					
Financial Instruments Revaluation	92	0	92	-1	91
Election Expenses	220	-70	150	-117	33
Insurance	399	-62	337	-31	306
Renewal and Repairs	2,411	-31	2,380	-18	2,362
Land Charges	0	0	0	0	0
Building Control	-7	22	15	18	33
Museum Purchases	11	0	11	11	22
Training Provision	153	0	153	-25	128
Community Safety Fund	264	-70	194	-28	166
Restructuring & Pay	100	0	100	115	215
Court Costs	59	0	59	-1	58
Planning Costs	270	-69	201	0	201
Unlawful Occupation of Land	9	0	9	-9	0
Fly tipping	100	-45	55	-55	0
Homelessness Fund	328	128	456	120	576
Fuel and Energy Reserve	70	0	70	0	70
Refuse Bin Purchase	15	0	15	0	15
Energy and Home Support	116	5	121	-18	103
Growth and Prosperity	1,800	-1,287	513	-386	127
Emergency Planning Reserve	50	0	50	0	50
Welfare Reform Reserve	60	-2	58	-58	0
Sports Development	54	-54	0	0	0
Other Earmarked Reserves	22	0	22	3	25
Management Carry Forward Requests	224	119	343	333	676
Development Company	4,000	0	4,000	-4,000	0
Mansfield Crematorium	140	-1	139	0	139
CSG/Enforcement Reserve	0	95	95	0	95
Flood Defence Reserve	0	250	250	0	250
NNDR Volatility Reserve	0	0	0	793	793
Community Initiative Fund	0	0	0	200	200
MTFP Reserve	0	1,085	1,085	275	1,360
Asset Management Fund	0	0	0	250	250
Capital Projects Feasibility Fund	0	0	0	250	250
Community Engagement Fund	0	0	0	300	300
Unapplied Revenue Grants and Contributions	185	107	292	139	431
Total for known pressures Reserves	11,145	120	11,265	-1,940	9,325
Change Management	9,045	3,702	12,747	587	13,334
Total General Fund Revenue	20,190	3,822	24,012	-1,353	22,659



Capital Reserves					
Capital Provision	1,322	-210	1,112	264	1,376
Total General Fund Capital	1,322	-210	1,112	264	1,376
Total General Fund Earmarked Reserves	21,512	3,612	25,124	-1,089	24,035
Housing Revenue Reserves					
Newark and Sherwood Homes	2,821	1,146	3,967	0	3,967
Merger Transfer					
Insurance Fund	50	0	50	0	50
Development and ICT	142	139	281	0	281
Restructuring & Pay	100	0	100	0	100
Other Earmarked Reserves	0	0	0	32	32
Future Rents Bad Debt	0	0	0	326	326
Total HRA Revenue Earmarked Reserves	3,113	1,285	4,398	358	4,756
Total General Fund and HRA Earmarked Reserves	24,625	4,897	29,522	-731	28,791

Renewal and Repairs - all sections of the Council who are responsible for assets contribute to this fund to ensure that planned maintenance is delivered in the future when it is due. For example buildings are redecorated every three years and software is upgraded as necessary. This flattens out the cost to ensure that tax levels do not fluctuate unnecessarily. All available funds are allocated to specific schemes.

Change Management – a reserve for uncommitted funds held for future requirements and for support of transformational change.

Homelessness - a fund to pay for relevant costs from the government's

Management Carry Forward Requests - a reserve for requests by management to transfer budgets not spent on a particular purpose into the next financial year for spending.

National Non-Domestic Rates (NNDR) Volatility - this reserve has been created in order to mitigate the financial implications of prospective government changes to the NNDR system.

Medium Term Financial Plan (MTFP) - this reserve has been created in order to mitigate the financial implications identified within the MTFP.

Capital Provision – to support future capital projects.

Newark and Sherwood Homes (NSH) Transfer - Reserves transferred from NSH to the Council as part of the Council bringing social housing management services formerly provided by NSH back in-house.

14 OTHER OPERATING INCOME AND EXPENDITURE

2018/19 £'000	2019/20 £'000
2,810 Parish Council Precepts	2,925
534 Levies	546
443 Payments to the Government Housing Capital Receipts Pool	443
0 Payments to Business's for COVID-19	7,450
1,118 Gains(-)/losses on the disposal of non-current assets	571
323 Loss Allowance	615
-35 Mansfield Crematorium - Net Cost of Service	15
5,193 Total	12,565

15 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

RESTATED 2018/19 £'000	2019/20 £'000
3,854 Interest payable and similar charges	4,100
2,016 Net interest on the net defined benefit liability (asset)	1,600
-566 Interest receivable and similar income	-1,067
0 Net (gains)/losses on financial assets at fair value through profit and loss	964
-9 Mansfield Crematorium - Financing and Investment Income and Expenditure	2
5,295 Total	5,599

16 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2018/19 £'000	2019/20 £'000
-9,331 Council tax income	-9,765
-7,428 Non-Domestic Rates income and expenditure	-8,851
-2,157 Non ring-fenced Government grants	-1,835
0 Income for Business's COVID-19 grants	-7,450
0 Revenue Developers grants & contributions	-101
-4,319 Capital Developers grants & contributions	-1,574
-3,155 Capital grants and contributions	-2,294
-26,390 Total	-31,870

17 OFFICIALS' EMOLUMENTS

Amounts payable to senior employees in 2019/2020 are disclosed below.

	2019/20	2018/19
	£	£
Chief Executive - Started in July 2018		
Salary	124,848.00	84,561.29
Expenses, Allowances and Other Benefits	794.05	0.00
Employer's Contribution to Pension	18,102.96	11,832.00
% Employee's Contribution to Pension	11.4%	11.4%
Deputy Chief Executive - Left December 2018		
Salary (includes redundancy payment of £102,613*)		179,460.31
Expenses, Allowances and Other Benefits		61.90
Employer's Contribution to Pension		11,066.39
% Employee's Contribution to Pension		10.5%
Deputy Chief Executive & Director of Resources		
Salary	102,620.04	100,608.00
Expenses, Allowances and Other Benefits	515.25	802.05
Employer's Contribution to Pension	14,879.88	14,588.18
% Employee's Contribution to Pension	10.5%	10.5%
Director of Governance & Organisational Development		
Salary	83,625.00	83,864.34
Expenses, Allowances and Other Benefits	106.25	295.78
Employer's Contribution to Pension	12,125.64	12,160.31
% Employee's Contribution to Pension	9.9%	9.9%
Director of Communities & Environment		
Salary	83,625.00	85,829.34
Expenses, Allowances and Other Benefits	395.40	377.05
Employer's Contribution to Pension	12,125.64	12,445.22
% Employee's Contribution to Pension	9.9%	9.9%
Director of Growth & Regeneration - Promoted January 2019		
Salary	77,427.19	72,991.39
Expenses, Allowances and Other Benefits	0.00	0.00
Employer's Contribution to Pension	11,226.92	10,583.77
% Employee's Contribution to Pension	9.9%	9.9%

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the following table.

* the redundancy payment included in the following exit packages table has been split between compulsory payment (£64k) and non-compulsory payment (£38k).

Exit Package Cost Band	No of Compulsory Redundancies		No of Other Agreed Departures		Total No of Exit Packages		Total Cost of Exit Packages	
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20 £'000	2018/19 £'000
£0 to £20,000	4	5	2	0	6	5	66	38
£20,001 to £40,000	0	1	1	1	1	2	22	65
£40,001 to £60,000	0	0	1	0	1	0	45	0
£60,001 to £80,000	0	1	0	0	0	1	0	64
£80,001 plus	0	0	0	0	0	0	0	0
Total	4	7	4	1	8	8	133	167

The number of employees, including senior employees as disclosed above, whose remuneration, excluding pension contributions, was £50,000 or more in bands of £5,000 were:-

	Number of Employees 2019/2020	Employees Included in 2019/20 leaving in same year	Number of Employees 2018/2019
£50,000 to £54,999	5	0	4
£55,000 to £59,999	2	0	3
£60,000 to £64,999	3	1	1
£65,000 to £69,999	0	0	1
£70,000 to £74,999	0	0	1
£75,000 to £79,999	1	0	0
£80,000 to £84,999	2	0	3
£85,000 to £89,999	0	0	0
£90,000 to £94,999	0	0	0
£95,000 to £99,999	0	0	0
£100,000 to £104,999	1	0	1
£105,000 to £174,999	2	1	1
£175,000 to £179,999	0	0	0
Total	16	2	15

18 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows an assessment of the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Most transactions with related parties are disclosed elsewhere in the Statement of Accounts as follows:

UK Party	Disclosure	Page
•Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties.	Comprehensive Income and Expenditure Statement Cash Flow Statement	

Newark and Sherwood District Council Statement of Accounts 2019/20

•Members of the council have direct control over the council's financial and operating policies.	Note 21 Members Allowances
•Precepts from other Local Authorities.	Collection Fund Accounts
•Arkwood Developments Ltd is a wholly owned subsidiary of the Council.	Group Accounts
•Active4Today Ltd is a wholly owned subsidiary of the Council.	Group Accounts
•The Council has joint control of Mansfield Crematorium.	Note 38 Joint Crematorium Committee
•The Council appoints the majority of trustees of the Southwell Leisure Centre Trust.	Note 6 Material Interests in Joint Bodies

During 2019/2020 the following transactions occurred with companies and organisations in which Members, Officers and their close family members, had an interest.

	Receipts £'000	Payments £'000
TPM Compliance Training Solutions Ltd	0	1
Newark on Trent Twinning Association	0	4
Gilstrap Trust	10	0
Newark Amateur Operatic Society	0	1

19 MEMBERS ALLOWANCES

2018/19 £'000	2019/20 £'000
57 Special Responsibility Payments	55
186 Basic Allowances	189
8 Travel and Subsistence	6
251 Total	250

20 GRANT INCOME

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

2018/19 £'000	2019/20 £'000
Credited to Taxation and Non Specific Grant	
-592 Revenue Support Grant	-83
-1,491 New Homes Bonus Grant	-1,580
0 Business's COVID-19 grants	-7,450
0 DCLG Grant	-115
0 New Burdens Grant	-18
-10 Council Tax s31 Grant	0
-38 Rural Services Delivery Grant	-38
-559 Section 106	-102
Capital Related;	
-2,024 Supported Housing	-2,062
-4,263 Developers Contributions (Net of Payments)	-1,574
-1,131 Other Grants and Contributions	-232
-10,108 Total	-13,254
Credited to Services	
-12,778 Housing Benefits Subsidy - Rent Allowances	-11,089
-9,969 Housing Benefits Subsidy - Rent Rebates	-9,510
-295 Housing Benefits Administration Grant	-265
-119 Council Tax Support Grant	-113
-175 Other Housing Grants	0
-143 New Burdens Grant	-96
-21 Cleaner, Safer, Greener	0
-14 Electoral Registration	-13
-4 Welfare Reform	-2
0 Apprentice Levy	-4
-30 Custom Build Grant	-15
0 DCLG Flooding grant	-73
0 Neighbourhood Planning grant	-19
-11 Land Charges	-20
Capital Related;	
-922 Private Sector Disabled Facilities	-750
-24,481 Total	-21,969

The Council has received a number of grants and contributions that have yet to be recognised as income as they have conditions attached to them that could require the monies or property to be returned to the giver. The balances at the year-end are as follows:

CURRENT LIABILITIES - GRANTS RECEIPTS IN ADVANCE

2018/19 £'000	2019/20 £'000
<i>Capital Related:</i>	
-765 Government	-723
0 Other Third Parties	0
0 Section 106	0
<i>Revenue Related:</i>	
-21 Government	-162
0 Other Third Parties	-13
0 Section 106	0
-786	-898

LONG TERM LIABILITIES - GRANTS RECEIPTS IN ADVANCE

2018/19 £'000	2019/20 £'000
<i>Capital Related:</i>	
-6,048 Government	-6,048
0 Nottinghamshire County Council	0
0 Other Third Parties	0
<i>Revenue Related:</i>	
-63 Government	-65
0 Nottinghamshire County Council	0
-54 Other Third Parties	-54
-6,165	-6,167

21 AUDIT FEE

For 2019/2020 Newark and Sherwood District Council incurred the following fee in relation to the audit of the Statement of Accounts:

2018/19 £'000	2019/20 £'000
Fees Payable to Mazars LLP in respect of:	
37 External Audit Services	37
0 Other Services	6
37 Total	43

In addition, audit fees of £0 (£2,397 2018/19) were paid which related to work undertaken in prior financial years.



22 PROPERTY PLANT AND EQUIPMENT

Movements in 2019/20									
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000	
Cost or Valuation									
At April 2019	279,209	69,262	10,602	448	335	185	2,974	363,015	
Additions	9,783	1,886	1,366	0	0	0	3,955	16,990	
Revaluation increases/decreases(-)to Revaluation Reserve	18,522	4,512	0	0	0	0	0	23,034	
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	-19,368	-636	0	0	0	0	0	-20,004	
Derecognition - Disposals	0	0	0	0	0	0	0	0	
Derecognition - Other	0	-454	-684	0	0	-185	0	-1,323	
Assets reclassified to(-)/from Held for Sale	-2,124	0	0	0	0	0	0	-2,124	
Reclassifications - Other	1,468	574	0	0	0	0	-2,042	0	
At 31 March 2020	287,490	75,144	11,284	448	335	0	4,887	379,588	
Accumulated Depreciation & Impairment									
At April 2019	1,734	2,048	4,511	12	76	0	0	8,381	
Depreciation charge	4,004	979	1,312	35	9	0	0	6,339	
Depreciation written out to the Revaluation Reserve	-4,904	-530	0	0	0	0	0	-5,434	
Depreciation written out to the Surplus/Deficit on the Provision of Services	-834	-99	0	0	0	0	0	-933	
Impairment losses/reversals(-) to Revaluation Reserve	0	0	0	0	0	0	0	0	
Impairment losses/reversals(-) to Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0	
Derecognition - Disposals	0	-5	-684	0	0	0	0	-689	
Reclassifications	0	0	0	0	0	0	0	0	
At 31 March 2020	0	2,393	5,139	47	85	0	0	7,664	
Net Book Value									
at 31 March 2020	287,490	72,751	6,145	401	250	0	4,887	371,924	
at 31 March 2019	277,475	67,214	6,091	436	259	185	2,974	354,634	

Comparative Movements in 2018/19								
RESTATED	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles Plant Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation								
At April 2018	270,312	63,699	9,512	202	317	0	11,997	356,039
Additions	4,528	1,894	1,246	246	11	0	9,114	17,039
Revaluation increases/decreases(-) to Revaluation Reserve	5,966	6,365	0	0	0	238	0	12,569
Revaluation increases/decreases(-) to Surplus/Deficit on the Provision of Services	-16,980	-693	0	0	0	0	0	-17,673
Derecognition - Disposals	-55	-617	-156	0	0	-133	0	-961
Derecognition - Other	-625	0	0	0	0	0	0	-625
Assets reclassified to(-)/from Held for Sale	-3,032	-341	0	0	0	0	0	-3,373
Reclassifications - Other	19,095	-1,045	0	0	7	80	-18,137	0
At 31 March 2019	279,209	69,262	10,602	448	335	185	2,974	363,015
Accumulated Depreciation & Impairment								
At April 2018	921	2,416	3,724	0	67	0	0	7,128
Depreciation charge	4,512	1,194	920	12	9	1	0	6,648
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	-3,743	-1,225	0	0	0	0	0	-4,968
Impairment losses/reversals(-) to Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/reversals(-) to Surplus/Deficit on the Provision of Services	94	0	0	0	0	0	0	94
Derecognition - Disposals	-50	-337	-133	0	0	-1	0	-521
Reclassifications	0	0	0	0	0	0	0	0
At 31 March 2019	1,734	2,048	4,511	12	76	0	0	8,381
Net Book Value								
at 31 March 2019	277,475	67,214	6,091	436	259	185	2,974	354,634
at 31 March 2018	269,391	61,283	5,788	202	250	0	11,997	348,911

Please note the closing balance on depreciation for Council Dwellings relates to the Council's componentisation policy which states that itemised components such as the kitchen and bathroom will continue to be depreciated until the end of their economic useful life and not be revalued in year.

DEPRECIATION

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 2-75 years
- Other Land and Buildings - 9-75 years
- Vehicles, Plant, Furniture and Equipment - 3-25 years
- Infrastructure - 10-190 years
- Surplus - 20-98 years

CAPITAL COMMITMENTS

The Council has a Capital Programme for 5 years of which £26.276m is contractually committed as at 31 March 2020. Whilst there are a number of other commitments in the Capital Programme, the below are financial Commitments.

2018/19 £'000	2019/20 £'000
31,927 New Council House Build	26,276
31,927 Total	26,276

REVALUATIONS

The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All 2018/2019 valuations were carried out by the Council's Asset Management team, who are suitably qualified and experienced for this purpose. Valuations were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Plant and machinery is included implicitly in the valuation of the buildings. Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of open market value.

The significant assumptions applied in estimating the fair values are:

- Good title can be shown and all valid planning permissions and statutory approvals are in place.
- The property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted.
- An inspection of those parts not inspected would not reveal defects that would affect the valuation.
- The testing of electrical or other services would not reveal defects that would cause the valuation to alter.
- There are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.

The following statement shows the progress of the Council's rolling programme for the revaluation of non-current assets.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles Plant & Equipment £'000	Infra- Structure £'000	Community Assets £'000	Assets Under Construction £'000	Surplus £'000	Total £'000
Valued at Historical Cost	0	0	9,512	202	317	11,997	0	22,028
Valued at Current Value in:								
2018/2019	287,490	3,876	0	0	0	0	0	291,366
2017/2018	0	13,049	0	0	0	0	318	13,367
2016/2017	0	17,696	0	0	0	0	0	17,696
2015/2016	0	18,594	0	0	0	0	0	18,594
2014/2015	0	12,612	0	0	0	0	0	12,612
	287,490	65,827	9,512	202	317	11,997	318	375,663
Non Revaluation adjustments	0	9,317	1,772	246	18	-7,110	-318	3,925
Gross Book Value	287,490	75,144	11,284	448	335	4,887	0	379,588

Note - non revaluation adjustments relates to all movements in Gross Book Value that don't relate to a revaluation .i.e. acquisitions and disposals.

23 LEASES - DISCLOSURE AS LESSEE

Finance Leases

The Council has just one finance lease which is a 125 year lease on Clipstone Holding Centre. The asset is included on the Balance Sheet under Property, Plant and Equipment.

The net carrying amounts of the asset as at 31st March 2020 was:

2018/19 £'000	2019/20 £'000
95 Land and Buildings	179
95 Total	179

The Council is committed to making minimum payments under the leases comprising settlement of the long term liability for the interest in the property acquired by the authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

2018/19 £'000	2019/20 £'000
224 Finance Lease Liabilities	224
(net present value of minimum lease payments)	
2,458 Finance costs payable in future years minimum lease payments	2,432
2,682 Total	2,656

The minimum lease payments will be payable over the following periods:

2018/19			2019/20	
Minimum Lease Payments	Finance Lease Liabilities (NPV)		Minimum Lease Payments	Finance Lease Liabilities (NPV)
£'000	£'000		£'000	£'000
25	0	Not later than one year	25	0
100	0	Later than one year and not later than five years	100	0
2,557	224	Later than five years	2,531	224
2,682	224	Total	2,656	224

The Council has sub-let Clipstone Holding Centre units held under the finance lease. The annual minimum payments expected to be received is £0.053m (£0.053m in 2018/2019).

Operating Leases

Vehicles, Plant, Furniture and Equipment – the Council now only has a tractor financed under the terms of operating leases.

Land and Buildings - the Authority leases several items of land. The leasing arrangements for each being accounted for as operating leases.

Future minimum lease payments due in future years are:

2018/19		2019/20
£'000		£'000
31	Not later than one year	31
116	Later than one year and not later than five years	126
2,060	Later than five years	2,226
2,207	Total Operating Lease Costs	2,383

The expenditure charged to services in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2018/19		2019/20
£'000		£'000
40	Minimum lease payments	35
40	Total Operating Lease Costs	35

24 DISCLOSURE AS LESSOR

Finance Leases

With effect from April 2015, under the Devolution agreement with Newark Town Council, the Council has leased Newark Market Place and the Arena toilets and retail unit, Tolney Lane, Newark to Newark Town Council. The leases are for a peppercorn rent and therefore there will be no lease payments receivable from these arrangements. The leases have been accounted for as finance leases and the asset values have transferred to Newark Town Council.

	Fair Value at inception of lease April 2015	Lease Term
Newark Market Place	£56,450	99 years
Arena toilets and retail unit, Tolney Lane, Newark	£209,186	25 years

Operating Leases

The Council has granted leases in respect of a range of industrial units, in addition to a livestock market, lorry wash and other commercial land and buildings. A number of village halls are also included. All arrangements are accounted for as operating leases with the village halls being charged peppercorn rents. All the leases as lessor are land and buildings. The Council does not currently lease any vehicle, plant or equipment.

Aggregate rentals received by the Authority in its capacity as lessor for 2019/2020 was £1.052m (£1.223m 2018/2019).

The total future lease commitments are:

2018/19		2019/20
£'000		£'000
1,053	Not later than one year	896
2,135	Later than one year and not later than five years	2,410
1,066	Later than five years	1,455
4,254	Total Operating Lease Costs	4,761

25 CASH AND CASH EQUIVALENTS

RESTATED		
2018/19		2019/20
£'000		£'000
4	Cash held by the Council	4
28	Cash in transit	-26
1,136	Bank current accounts	560
31,491	Short-term deposits with Money Market Funds	22,981
32,659	Total Cash and Cash Equivalents	23,519

26 HERITAGE ASSETS

The following table shows the reconciliation of the carrying value of the heritage assets held by the Council.

	Museum Collection £'000	Other Assets £'000	Total Assets £'000
Cost or Valuation			
At 1 April 2019	1,937	98	2,035
Additions	0	0	0
Revaluations	-7	-8	-15
At 31 March 2020	1,930	90	2,020
Cost or Valuation			
At 1 April 2018	1,860	94	1,954
Additions	0	0	0
Revaluations	77	4	81
At 31 March 2019	1,937	98	2,035

The Council's heritage assets held on the Balance Sheet have been split into the following categories:

Museum Collection – The Council has an extensive museum collection comprising art, civil war artefacts, clocks, coins and tokens and other items of interest. The museum was established in 1912 and the majority of artefacts have been donated by local residents over the course of the years. All exhibits are either on display at the National Civil War Centre in Newark or held at the Council's resource centre; however, all items at the resource centre are available for viewing by appointment. The collection is the responsibility of the Heritage, Culture and Visitors Business Manager and is kept in a controlled environment to ensure minimal deterioration. Should any remedial conservation be required this is contracted out to specialist third parties on an as and when basis. Items are valued for insurance purposes at a minimum of every five years and held on the balance sheet at this value. The assets held within the museum collection are deemed to have indeterminate lives and as such are not depreciated.

A significant item of the collection is the Newark Torc, a complete Iron Age gold alloy neck ring which was purchased by a combination of council funding, grant funding and public donations in 2006. The torc is on display at the National Civil War Centre.

Other – other heritage assets held by the Council include various sculptures which have been commissioned and are on display in the Council's parks and gardens and the Chairman's chains of office. Items are valued on an annual basis for insurance purposes and held on the balance sheet at this value.

The Council also owns heritage assets which are not shown on the Balance Sheet as detailed:

Newark Castle – the castle was built in the 12th century and is a scheduled ancient monument. The castle was partly destroyed at the end of the English Civil War but has a number of rooms which are open to the public as part of a guided tour and is sited in a public garden. The Council does not consider that reliable cost or valuation information can be obtained for the castle due to the age and state of the building. A fund is in place to cover the costs of any future repairs and renewals.

Queen's Sconce – this scheduled ancient monument is one of the few remaining earthworks from the English Civil War. It is distinctively star shaped and is considered an internationally important heritage feature, surrounded by open space and playing fields. The Council does not consider that reliable cost or valuation information can be obtained for the sconce due to the age and nature of the structure. A fund is in place to cover the costs of any future repairs and renewals.

27 ASSETS HELD FOR SALE

Strict requirements are identified in the Code regarding the classification of an asset as Held for Sale. If an asset does not meet these requirements then it would continue to be classified within the standard classification, either as Property Plant and Equipment or as Investment Property. The Council holds the following current assets with the intent of selling them within 12 months of the balance sheet date.

2018/19 £'000	2019/20 £'000
0 Balance outstanding at start of year	1,120
Assets newly classified as held for sale:	
3,373 Property, Plant and Equipment	2,124
Assets declassified as held for sale:	
-2,253 Assets Sold	-2,074
1,120 Balance outstanding at year-end	1,170

28 INTANGIBLE ASSETS

During 2019/2020 the Council's intangible assets consisted of computer software. These were considered to have significant long term value to justify inclusion within the Balance Sheet. They are amortised on a straight line basis over the estimated period of economic benefit to the Council which varies between 5 and 10 years depending on the particular system. The amortisation amount is charged to the relevant revenue service and is included within the (Surplus)/Deficit on Continuing Operations.

RESTATED 2018/19 £'000	2019/20 £'000
Balance at start of year:	
1,458 Gross carrying amounts	1,458
-1,140 Accumulated amortisation	-1,170
318 Net carrying amount at start of year	288
Movements:	
40 Purchases	68
-5 Other disposals	0
-65 Amortisation for the period	-88
0 Reclassifications	0
288 Net carrying amount at end of year	268
Comprising:	
1,458 Gross carrying amounts	1,526
-1,170 Accumulated amortisation	-1,258
288 Net carrying amount at end of year	268

29 CAPITAL EXPENDITURE AND FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement on the CFR is analysed in the second part of this note.

RESTATED 2018/19 £'000	2019/20 £'000
126,484 Opening Capital Financing Requirement	131,624
Capital Investment:	
17,038 Property, Plant and Equipment	16,990
0 Capital Loans and Shares	4,708
41 Intangible Assets	68
2,495 Revenue Expenditure Funded from Capital Under Statute	1,129
Sources of Finance	
-1,654 Capital Receipts	-5,915
-6,575 Government Grants and Contributions	-3,225
-6,205 Sums set aside from Revenue (inc MRP)	-12,479
131,624 Closing Capital Financing Requirements	132,900
Explanation of Movements in Year	
6,655 Increase in underlying need to borrow (unsupported by Government financial assistance)	3,819
-1,515 Other Movements (MRP including finance leases)	-2,543
5,140 Increase in Capital Financing Requirement	1,276
Split on Capital Financing Requirement between General Fund and Housing Revenue Account	
24,815 General Fund	26,262
106,809 Housing Revenue Account	106,638
131,624	132,900

30 ANALYSIS OF DEBTORS

The amounts due to the Council were:-

RESTATED 2018/19 £'000	2019/20 £'000
Amounts falling due within one year:-	
2,258 Trade Receivables	2,253
443 Prepayments	211
6,595 Other Receivable Amounts	15,777
-1,524 Less Loss Allowance	-2,434
7,772 Total Short Term Debtors	15,807
461 Other Entities and Individuals	801
461 Total Long Term Debtors	801
8,233 Total Debtors	16,608

DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) within the total debtors figure is analysed below;

2018/19 £'000	2019/20 £'000
631 Council Tax	737
273 Non-Domestic Rates	282
904 Total Debtors for Local Taxation	1,019

31 ANALYSIS OF CREDITORS

The amounts owed by the Council were:-

RESTATED	
2018/19 £'000	2019/20 £'000
Amounts falling due within one year:-	
6,869 Trade Payables	5,962
8,625 Other Payables	12,629
15,494 Short Term Creditors	18,591
4,839 Other Payables	7,210
4,839 Long Term Creditors	7,210
20,333 Total	25,801

Section 106 of the Town and Country Planning Act 1990 relates to money paid by developers to Local Planning Authorities in order to offset the costs of the external effects of development.

32 PROVISIONS

2018/19 £'000	Non Domestic Rate Appeals £'000	2019/20 Total £'000
1,524 Short Term Balance at 1 April 2019	1,457	1,457
-860 Amounts used in year	-1,337	-1,337
793 Transfer from Long Term	271	271
1,457 Short Term Balance at 31 March 2020	391	391
1,327 Long Term Balance at 1 April 2019	1,948	1,948
1,414 Additional provisions made in year	-389	-389
-793 Transfer to Short Term	-271	-271
1,948 Long Term Balance at 31 March 2020	1,288	1,288

New arrangements for the retention of business rates came into force on 1 April 2013 whereby local authorities have assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts that were paid over to Central Government in respect of 2012/2013 and prior years. Previously such amounts would not have been recognised as income by the authorities but would have been transferred to MHCLG. A provision has been made for the possible settlement of refunds, based on consideration of the type and history of appeals awarded in the past, and the length of time normally taken for the appeal process.

33 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

34 UNUSABLE RESERVES

RESTATED	
2018/19 £'000	2019/20 £'000
63,183 Revaluation Reserve	89,726
163,267 Capital Adjustment Account	157,295
-172 Financial Instruments Adjustment Account	-117
-75,226 Pensions Reserve	-71,357
-139 Crematorium Pension Reserve	-132
0 Pooled Investment Adjustment Account	-798
818 Collection Fund Adjustment Account	2,559
-141 Accumulated Absences Account	-91
151,590 Total Unusable Reserves	177,085

REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost.
- Used in the provision of services and the gains are consumed through depreciation.
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date the reserve was created. Accumulated gains arising before that date are consolidated into the balance in the Capital Adjustment Account.

RESTATED	
2018/19 £'000	2019/20 £'000
51,794 Balance at 1 April	63,183
15,375 Upward revaluations of assets	36,786
-2,726 Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-8,332
12,649 Surplus or deficit(-) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	28,454
-545 Difference between fair value depreciation and historical cost depreciation	-1,067
-715 Accumulated gains on assets sold or scrapped	-844
-1,260 Amount written off to the Capital Adjustment Account	-1,911
63,183 Balance at 31 March	89,726

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the Comprehensive Income and Expenditure Statement. The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and revaluation gains on Property, Plant and Equipment before 1 April 2007, the date the Revaluation Reserve was created to hold such gains.

RESTATED	
2018/19 £'000	2019/20 £'000
172,905	163,267
Balance as at 1st April	
Reversal of items relating to capital expenditure debited or credited to the CIES:	
-6,648	-6,339
Charges for depreciation and impairment of non-current assets	
-12,799	-19,071
Revaluation losses on Property, Plant and Equipment	
-65	-88
Amortisation of intangible assets	
0	-167
Revaluation on Financial Instrument classed as capital	
-2,495	-1,129
Revenue expenditure funded from capital under statute	
-3,324	-2,709
Amounts of non-current assets written off on disposal or sale as part of the gain(-)/loss on disposal to the CIES	
-25,331	-29,503
Adjusting amounts written out of the Revaluation Reserve	
715	844
Adjusting amounts written out of the Revaluation Reserve	
-24,616	-28,659
Net written out amount of the cost of non-current assets consumed in the year	
Capital financing applied in the year:	
1,654	5,915
Use of Capital Receipts Reserve to finance new capital expenditure	
3,877	4,947
Use of Major Repairs Reserve to finance new capital expenditure	
5,941	3,042
Capital grants and contributions credited to the CIES that have been applied to capital financing	
633	183
Applications of grants to capital financing from the Capital Grant Unapplied Account	
1,515	2,543
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	
813	4,990
Capital expenditure charged against the General Fund and HRA balances	
14,433	21,620
Adjustment between Capital Adjustment Account and Revaluation Reserve for depreciation that relates to the revaluation balance rather than historic cost	
545	1,067
Adjustment between Capital Adjustment Account and Revaluation Reserve for depreciation that relates to the revaluation balance rather than historic cost	
163,267	157,295
Balance at 31 March	

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

The Financial Instrument Adjustment Account absorbs the timing difference arising from the different arrangements for accounting for income and expenditure relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provision. The Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred but reversed out of the General Fund balance to this account in the Movement in Reserves Statement. Over time the expense is posted back to the General Fund balance in accordance with statutory arrangements for spreading the burden on the council tax payer.

2018/19 £'000	2019/20 £'000
-176	-172
Balance at 1 April	
4	55
Differences between statutory debits/credits and amounts recognised as income and expenditure in relation to financial instruments	
-172	-117
Balance at 31 March	

PENSIONS RESERVE

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £'000	2019/20 £'000
-79,055	-75,226
Balance at 1 April	
8,141	10,191
Remeasurements of the net defined benefit liability/(asset)	
-7,599	-9,644
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	
3,287	3,322
Employers pensions contributions and direct payments to pensioners payable in the year	
-75,226	-71,357
Balance at 31 March	

CREMATORIUM PENSION RESERVE

The total assets and liabilities of the Mansfield and District Joint Crematorium Pension Account are apportioned between Newark and Sherwood District Council, Ashfield District Council and Mansfield District Council. The balance held in the Crematorium Pension Account represents Newark and Sherwood District Council's proportion of the assets and liabilities of the scheme.

2018/19 £'000	2019/20 £'000
-1,263 Balance at 1 April	-1,245
83 Remeasurements of the net defined benefit liability/(asset)	191
-114 Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	-133
49 Employers pensions contributions and direct payments to pensioners payable in the year	46
-1,245 Balance at 31 March	-1,141
Balance split by Authority:	
-139 Newark and Sherwood District Council's proportion	-132
-561 Ashfield District Council's Proportion	-515
-545 Mansfield District Council's Proportion	-494
-1,245 Balance at 31 March	-1,141

POOLED INVESTMENT FUNDS ADJUSTMENT ACCOUNT

The pooled investment fund adjustment account represents the fair value movement in the value of its investments that are measured at fair value through profit and loss. Under regulation 30k of SI2018/1207 the fair value movement can continue to be reversed until the period ending 31 March 2023. After that period the value of the movement will then be charged against the general fund balance.

2018/19 £'000	2019/20 £'000
0 Balance at 1 April	0
0 Upward revaluation of investments	0
0 Downward revaluation of investments	-798
0 Accumulated gains or losses on assets sold and maturing assets written out to the comprehensive income and expenditure statement as part of other investment income	0
0 Accumulated gains or losses on assets sold and maturing assets written out to the general fund balances for financial assets designated to fair value through other comprehensive income	0
0 Balance at 31 March	-798

COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2018/19 £'000	2019/20 £'000
473 Balance at 1 April	818
345 Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements	1,741
818 Balance at 31 March	2,559

ACCUMULATED ABSENCES ACCOUNT

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2018/19 £'000	2019/20 £'000
-141 Balance at 1 April	-141
0 Settlement or cancellation of accrual made at the end of the preceding year	141
0 Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-91
-141 Balance at 31 March	-91

35 CONTINGENT ASSETS AND LIABILITIES

The Council has made claims where either the policy of Her Majesty's Revenue and Customs (HMRC) has changed, or where legal judgements have changed the Value Added Tax (VAT) treatment of a service.

At 31 March 2020, the Council had contingent assets relating to just one VAT claims which is not material to the Council:

Nature and Value of Claim	Amount £'000
Postage Services	33
Total	33

The Council is involved in a legal dispute with a tenant regarding non-payment of rent. No further information will be disclosed while the matter is ongoing as this may prejudice the position of Council.

36 CASH FLOW STATEMENTS

A Cash Flow Statement - Adjustment To Net Surplus Or Deficit On The Provision Of Services For Non Cash Movements

RESTATED 2018/19 £'000	2019/20 £'000
-4,996	-15,054
Adjust net surplus or deficit on the provision of services for non-cash movements	
6,667	6,339
12,799	19,071
65	88
0	167
0	797
0	10
-4,229	6,901
10	-25
3,746	-9,053
20	2
4,312	6,328
553	-1,726
3,323	2,709
0	0
27,266	31,608
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
0	0
-8,141	-4,691
-2,205	-2,137
-10,346	-6,828
11,924	9,726

B Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

2018/19 £'000	2019/20 £'000
595	1,038
-3,558	-3,428
-2,963	-2,390

C Cash Flow Statement - Investing Activities

2018/19 £'000	2019/20 £'000
-15,418	-17,928
0	-46,000
31	-712
2,205	2,138
0	36,400
8,072	5,022
-5,110	-21,080

D Financing Activities

2018/19 £'000	2019/20 £'000
8,165	7,100
6,705	569
0	0
-4,293	-5,455
0	0
10,577	2,214

37 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2019/20 1 April £'000	Financing Cash Flows £'000	Acquisit ion £'000	changes Other non- cash changes £'000	2019/20 31 March £'000
Long-term borrowings	84,556	0	-	-	84,556
Short-term borrowings	6,226	1,645	-	-	7,871
• Lease Liabilities	244	0	0	0	244
• On balance sheet PFI liabilities	0	0	0	0	0
Total Liabilities from financing activities	91,026	1,645	0	0	92,671

38 JOINT CREMATORIUM COMMITTEE

The Council, along with Ashfield District Council and Mansfield District Council, operates the Mansfield and District Joint Crematorium.

The Council's share of income, expenditure, assets and liabilities in respect of the Joint Crematorium Committee is as follow;

2018/19			2019/20	
Total	NSDC Share	Comprehensive Income and Expenditure Statement	Total	NSDC Share
£'000	£'000		£'000	£'000
-1,687	-121	Gross Income	-1,743	-127
1,044	75	Gross Expenditure (includes surplus distribution)	1,105	80
-643	-46	Charged to Other Operating Income and Expenditure before Surplus Distribution	-638	-47
800	57	Surplus Distribution	843	62
157	11	Total Charged to Other Operating Income and Expenditure	205	15
23	2	Financing and Investment Income and Expenditure	20	2
180	13	Surplus (-) or Deficit on Provision of Services	225	17
-83	-4	Remeasurements of the Net Defined Benefit Liability (Asset)	-191	-14
97	9	Total Comprehensive Income and Expenditure	34	3

2018/19			2019/20	
Total	NSDC Share	Balance Sheet	Total	NSDC Share
£'000	£'000		£'000	£'000
2,277	256	Property, Plant and Equipment	2,151	247
2,277	256	Long Term Assets	2,151	247
212	24	Short Term Debtors	228	26
1,691	194	Cash and Cash Equivalents	1,676	192
1,903	218	Current Assets	1,904	218
-874	-80	Short Term Creditors	-867	-79
-874	-80	Current Liabilities	-867	-79
-1,225	-138	Pensions	-1,141	-132
-1,225	-138	Long Term Liabilities	-1,141	-132
2,081	256	Net Assets	2,047	254
Financed By:				
1,049	139	General and Capital Reserve	1,037	139
-1,245	-139	Pension Reserve	-1,141	-132
1,816	219	Capital Adjustment Account	1,708	211
461	37	Revaluation Reserve	443	36
2,081	256	Total Reserves	2,047	254

39 POST EMPLOYMENT BENEFITS

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The authority participates in the Local Government Pension Scheme, administered by Nottinghamshire County Council. This is a funded defined benefit final salary scheme, meaning the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the (Surplus)/Deficit on Continuing Operations when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against the council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out of the Comprehensive Income and Expenditure Statement after the (Surplus)/Deficit on Provision of Services.

These transactions are as follows:-

RESTATED		2018/19	2019/20
		£'000	£'000
Comprehensive Income and Expenditure Statement			
Cost of Services			
	4,539	Current service cost	3,921
	1,051	Past service costs	169
	0	(Gain)/loss from settlements	3,963
Financing and Investment Income and Expenditure			
	1,977	Net interest expense	1,568
	41	Administration costs	34
	7,608	Total charged to Surplus/Deficit on Provision of Services	9,655
Remeasurement of the net defined benefit liability			
	6,361	Return on plan assets	-11,328
	0	Other actuarial gains/(losses)	-278
	-6,610	Changes in financial assumptions	21,074
	8,396	Changes in demographic assumptions	2,860
	0	Experience gains/(losses)	-2,123
	8,147	Total charged to Other Comprehensive Income and Expenditure	10,205
	15,755	Total charged to Comprehensive Income and Expenditure Statement	19,860
Movement in Reserves Statement			
	-4,318	Reversal of net charges made for retirement benefits	-6,330
Actual amount charged against the General Fund Balance			
	3,290	Employers' contributions payable to scheme	3,325

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

RESTATED		
2018/19		2019/20
£'000		£'000
179,053	1st April	183,598
4,539	Current service cost	3,921
4,520	Interest cost	3,541
805	Contributions by scheme participants	651
<i>Remeasurement (gains)/losses</i>		
-10,316	Changes in demographic assumptions	-2,861
8,530	Changes in financial assumptions	-21,074
0	Other	2,123
1,051	Past service cost	169
0	Losses (gains) on curtailment	5,562
-4,584	Benefits paid	-4,299
183,598	31st March	171,331

Reconciliation of fair value of the scheme assets:

RESTATED		
2018/19		2019/20
£'000		£'000
99,856	1st April	108,230
2,542	Interest income	1,972
<i>Remeasurement gain/(loss)</i>		
6,361	Return on plan assets	-11,328
0	Other	-278
3,291	Contributions from employer	3,325
805	Contributions from scheme participants	651
-4,584	Benefits paid	-4,295
-41	Administration costs	-34
0	Settlement Paid	1,599
108,230	31st March	99,842

Pension Assets and Liabilities Recognised in Balance Sheet

RESTATED					
Assets	2019/20	2018/19	2017/18	2016/17	2015/16
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	-171,331	-183,598	-179,053	-121,249	-134,011
Fair value of assets	99,842	108,230	99,856	64,490	67,470
Net liability	-71,489	-75,368	-79,197	-56,759	-66,541

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, the estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31st March 2019.

The principal assumptions used by the actuary have been:

2018/19		2019/20
£'000		£'000
<u>Mortality Assumptions</u>		
Longevity at 65 for current pensioners		
21.6	Men	21.8
24.4	Women	24.4
Longevity at 65 for future pensioners		
23.3	Men	23.2
26.2	Women	25.8
Rate of inflation – Retail Price Index		
Rate of inflation – Consumer Price index		
3.90%	Rate of increase in salaries	2.90%
2.40%	Rate of increase in pensions	1.90%
2.40%	Rate for discounting scheme liabilities	2.35%
Take up of option to convert annual pension into retirement		
50%	lump sum	50%
10%	Take up of option to pay 50% contributions for 50% benefits	10%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

Impact on the defined benefit obligation	Adjustment	Increase in assumption	Decrease in assumption
		£'000	£'000
Discount Rate	+/- 0.1%	-3,345	3,414
Salary Increase	+/- 0.1%	294	-293
Pension Increase	+/- 0.1%	3,131	-3,070
Mortality Age	+/- 1 year	6,786	-6,511

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held.

2018/19 £'000		2019/20 £'000
	Equity Investment	
20,554	UK investment	22,068
29,859	Overseas investment	32,388
1,945	Private equity investment	3,167
52,358		57,623
	Gilts	
2,747	UK fixed interest	4,149
2,747		4,149
	Other Bonds	
7,647	UK corporates	3,490
170	Overseas corporates	5,684
7,817		9,174
	Property	
11,415		14,887
	Cash	
2,038		4,069
	Inflation-linked pooled fund	
3,066		3,730
	Infrastructure	
4,061		6,212
	Unit Trust	
856		0
84,358		99,844

The Council participates in the Nottinghamshire Pension Fund (NPF). NPF property valuation as at 31 March 2020 includes a 'material valuation uncertainty' clause that explains that, market activity is being impacted in many sectors and the property valuation is reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global as the valuers do not consider that they can rely upon previous market evidence to fully inform opinions of value at the valuation date.

The Council's share of property assets, subject to the 'material valuation uncertainty' declaration by NPF, as set out above, is £14.9m, which is material to the Council's financial statements.

Projected Pension Expense for the Year to 31 March 2021

	Year to 31-Mar-21 £'000
Projection for Year to 31 March 2019	
Service cost	4,408
Net Interest on the defined liability (asset)	1,649
Administration expenses	40
Total	6,097
Employer contributions	2,235

Note that these figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2020. These projections are based on the assumptions as at 31 March 2020, as described in the main body of this report.

40 FINANCIAL INSTRUMENTS – RISK AND RISK MANAGEMENT

Disclosure of nature and extent of Risk arising from Financial Instruments

The Council's activities expose it to a variety of financial risks, the key risks being:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

The Council complies with CIPFA's Code of Practice on Treasury Management and Prudential Code for Capital Finance in Local Authorities, both revised in December 2017.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with the Ministry for Housing, Communities and Local Government Guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield. The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

Credit Risk: Treasury Investment

The Council manages credit risk by ensuring that treasury investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice. Recognising that credit ratings are imperfect predictors of default, the Council has regard to other measures including credit default swap and equity prices when selecting commercial entities for investment.

A limit of £10m of the total portfolio is placed on the amount of money that can be invested with a single counterparty (other than the UK government). For unsecured investments in banks, building societies and companies, a smaller limit of £5m applies. The Council also sets limits on investments in certain sectors. No more than £20m in total can be invested for a period longer than one year.

A summary of the credit quality of the Council's investments at 31 March 2020 is shown below:

2018/19		2019/20	
Fair Value through Profit & Loss £'000	Investments (Amortised Cost) £'000 Credit Rating	Fair Value through Profit & Loss £'000	Investments (Amortised Cost) £'000
0	31,334 AAA	0	22,959
0	0 AA+	0	0
0	136 AA	0	0
0	0 AA-	0	0
0	9,900 A+	0	0
0	0 A	0	5,000
0	0 A-	0	0
0	0 N/A	10,536	3,000
0	41,370 Total	10,536	30,959

Credit Risk: Amounts arising from Expected Credit Losses

The loss allowance for investments at amortised cost during the year are as follows:

Investment at Amortised Cost	Principal Amount £'000	Historic Risk of Default	Lifetime Expected Credit Losses – not credit impaired £
Money Market Funds			
Deutsche	5,159	0.001%	6
Invesco	8,500	0.001%	9
CCLA	2,500	0.001%	3
Goldmans Sachs	6,800	0.001%	7
Other Investments			
Santander UK Plc - 180 day notice a/c	5,000	0.024%	1,195
Slough Borough Council	3,000	0.000%	0
Total	30,959		1,220

Please note that we are currently using Historic Default Rates from 1990-2019 for Fitch, 1983-2019 for Moody's and 1981-2019 for S&P. Under IFRS 9 please be aware that the Code does not recognise a loss allowance where the counterparty is central government or a local authority since relevant statutory provisions prevent default. For these instruments, the Expected Credit Loss will be nil.

Due to the immaterial amount calculated on the lifetime expected credit losses the transaction has not been reflected within the accounts.

The loss allowance requirements do not apply to financial assets classified as 'fair value through profit or loss', as current market prices are considered to be an appropriate reflection of credit risk, with all movements in fair value (including those relating to credit risk) impacting on the carrying amount and being posted to the Surplus or Deficit on the Provision of Services as they arise.

Credit Risk: Trade Receivables

The following analysis summarises the Council's potential maximum exposure to credit risk on other financial assets based on experience of default.

	Amount at 31st March 2020 £'000	Historical Experience of Default %	Adjustment for Market 31st March 2020 %	Estimated Maximum Exposure to Default 31st March 2020 £'000	Estimated Maximum Exposure to Default 31st March 2019 £'000
Trade Receivables	2,255	4.8	4.8	108	104
	2,255			108	104

The following analysis summarises the Council's trade receivables, by due date. Only those receivables meeting the definition of a financial asset are included. The Council does not generally allow credit to its trade debtors, such that £1.994m of the £2.255m balance is past its due date for payment. The past due amount can be analysed by age as follows:

2018/19 £'000	2019/20 £'000
Debtor Analysis	
213 Up to 30 days	290
26 31 to 60 days	25
15 61 to 90 days	20
526 Greater than 90 days	1,659
780 Total	1,994

Community Infrastructure Levy and section 106 receivables have payment terms of 90 days before recovery action is taken. £1.087m of the £1.659m debt which is over 90 days old relates to these debtors.

Collateral – During the reporting period the Council held no collateral as security.

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to redeem funds invested from the money market to cover any day to day cash flow need, and the Public Works Loan Board provides access to longer term borrowing funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. This risk is managed by maintaining a spread of fixed rate loans and ensuring that no more than 15% of the Council's borrowing matures in any one financial year.

The maturity analysis of financial instruments is as follows:

2018/19			2019/20		
Liabilities	Assets	Net	Liabilities	Assets	Net
£'000	£'000	£'000	£'000	£'000	£'000
2,725	41,464	38,739	5,097	31,045	25,948
4,000	58	-3,942	6,300	41	-6,259
16,976	361	-16,615	15,000	11,248	-3,752
24,060	0	-24,060	24,087	0	-24,087
39,520	0	-39,520	38,443	0	-38,443
3,500	0	-3,500	3,500	0	-3,500
90,781	41,883	-48,898	92,427	42,334	-50,093

* The Council has £3.5m (2018: £3.5m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. Due to current low interest rates, in the unlikely event that the lender exercises its option, the Council is likely to repay these loans. The maturity date is therefore uncertain.

Market Risk: Interest Rate Risk

Interest Rate Risk – The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise.
- Borrowings at fixed rates – the fair value of the borrowing will fall.
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise.
- Investments at fixed rates – the fair value of the assets will fall.

Investments measured at amortised cost and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments measured at fair value will be reflected in Other Comprehensive Income or the Surplus or Deficit on the Provision of Services as appropriate.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	-478
Impact on Surplus or Deficit on the Provision of Services	-478
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus(-) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	12,853

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Market Risk: Price Risk

The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

However, it does have shareholdings to the value of £4m in Arkwood Developments Ltd (100% Council owned). Whilst these holding are generally illiquid, the Council is exposed to gains or losses arising from movements in the price of the shares.

The shares in this company are not traded in an active market and fair value has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on the net assets in the company's latest audited accounts.

The £4m shares are all classified at fair value through profit or loss, however as the transaction is a classed as capital all pricing movements will be reversed to the Capital Adjustment Account to remove impact on the tax payer. The carrying value as at 31 March 2020 is £3.833m.

The Council also holds £7.5m in the CCLA property fund and diversified income fund that has a carrying value as at 31 March 2020 of £6.770m. However, any movements in price will not impact on the General Fund Balance as regulations are currently in force to remove the impact of the fair value movements on the tax payer.

41 FINANCIAL INSTRUMENTS – BALANCES

The following categories of financial instrument are carried in the balance sheet:

	Long Term		Current	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Financial Assets				
Investments				
Principal at amortised cost	0	0	8,000	9,900
Accrued Interest	0	0	76	8
Fair Value through Profit and Loss	10,536	0	0	0
Total Financial Assets	10,536	0	8,076	9,908
Cash and Cash Equivalents				
Cash (including bank accounts)	0	0	563	1,047
Cash equivalents at amortised cost	0	0	22,958	31,591
Accrued interest	0	0	22	21
Total Cash and Cash Equivalents	0	0	23,543	32,659
Loans and Receivables				
Trade Debtors	0	0	2,253	2,172
Other Debtors	48	0	2,707	5,452
Loans	753	461	86	94
Total Loans and Receivables	801	461	5,046	7,718
Total	11,337	461	36,665	50,285

	Long Term		Current	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Financial Liabilities				
Principal sum borrowed at Amortised cost	83,830	84,556	8,597	6,225
Accrued Interest	0	0	753	742
Fair Value through Profit and Loss	0	0	0	0
Total Financial Liabilities	83,830	84,556	9,350	6,967
Trade Creditors	0	0	3,059	6,869
Other Creditors	0	4,839	406	8,625
Finance Lease Liability	224	224	0	0
Provisions	0	0	0	0
Total Non-Financial Liabilities	224	5,063	3,465	15,494
Total	84,054	89,619	12,815	22,461

Note – Fair value has been measured by:

- Direct reference to published price quotations in an active market; and/or
- Estimating using a valuation technique.

42 FINANCIAL INSTRUMENTS – GAINS/LOSSES

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	Financial Liabilities		Financial Assets	
	2019/20	2018/19	2019/20	2018/19
	£'000	£'000	£'000	£'000
Net gains/losses on:				
• Financial assets measured at fair value through profit and loss via Surplus or Deficit on Provision of Services	0	0	964	0
Total Net (Gains) / Losses	0	0	964	0
Interest expense	4,087	3,831	0	0
Interest Payable and Similar Charges	4,087	3,831	0	0
Interest income	0	0	-1,067	-566
Interest and Investment Income	0	0	-1,067	-566
Fee Expense	0	0	13	0
Total Fee Expense	0	0	13	0

43 FINANCIAL INSTRUMENTS – FAIR VALUES

Basis for recurring fair value measurements:

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

Fair Value of Financial Assets

Some of the Council's financial assets are measured at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

Financial assets measured at fair value	Input Level in Fair Value Hierarchy	Valuation technique used to measure fair value	2019/20 £'000	2018/19 £'000
<i>Fair Value through Profit and Loss</i>				
Equity shareholdings in Arkwood Developments Ltd	Level 3	Net Assets valuation (see * below)	3,833	0
CCLA Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	3,646	0
CCLA Diversified Income Fund (DIF)	Level 1	Unadjusted quoted prices in active markets for identical shares	3,057	0
Total			10,536	0

*Equity Shareholding in Arkwood Developments Ltd

The Council's shareholding in Arkwood Developments Ltd – the shares in this company are not traded in an active market and fair value of £3.833m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the net assets in the company's latest audited accounts.

History of Fair Value Movements of Financial Assets

	Opening Principal 1.4.19 £'000	In Year Principal Movement £'000	Closing Principal 31.3.20 £'000	Opening Fair Value Adj 1.4.19 £'000	In year Movemen t £'000	Closing Fair Value Adj 31.3.20 £'000	Carrying Value 31.3.20 £'000
Equity in Arkwood Developments Ltd	0	4,000	4,000	0	-167	-167	3,833
CCLA Property Fund	0	4,000	4,000	0	-354	-354	3,646
CCLA Diversified Income	0	3,500	3,500	0	-443	-443	3,057
Total	0	11,500	11,500	0	-964	-964	10,536

Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments.

Reconciliation of Fair Value Measurements for Financial Assets Carried at Fair Value Categorised within Level 3 of the Fair Value Hierarchy for Financial Assets

	2019/20 £'000	2018/19 £'000
Opening balance	0	0
Transfers into Level 3	0	0
Transfers out of Level 3	0	0
<i>Total gains or loss (-) for the period:</i>		
• Included in Surplus or Deficit on the Provision of Services	-167	0
• Included in Other Comprehensive Income and Expenditure	0	0
Additions	4,000	0
Disposals	0	0
Closing Balance	3,833	0

Gains and losses included in the Surplus or Deficit on the Provision of Services for the current and the previous year relate to the unquoted shares in Arkwood Developments Ltd.

The Fair Values of Financial Assets and Financial Liabilities that are not measured at Fair Value (but for which Fair Value Disclosures are required)

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

For loans from the Public Works Loan Board (PWLB) and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures.

For loans receivable prevailing the benchmark market rates have been used to provide the fair value.

No early repayment or impairment is recognised.

Where an instrument has a maturity of less than 12 months or is a trade or other receivable, the fair value is taken to be the carrying amount or the billed amount.

The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Fair values of financial liabilities:	2019/20		2018/19		
	Fair Value Level	£'000 Balance Sheet	£'000 Fair value	£'000 Balance Sheet	£'000 Fair value
<i>Financial Liabilities held at amortised cost:</i>					
Public Works Loans Board	2	72,103	82,453	74,128	88,438
Non PWLB debt	2	21,077	29,934	17,394	30,149
Total		93,180	112,387	91,522	118,587
<i>Liabilities for which fair value is not disclosed:</i>					
Short-term creditors		3,465	3,465	15,494	15,494
Long term Creditors		0	0	4,839	4,839
Other Long Term Liabilities - Finance Lease		224	224	224	224
Total		3,689	3,689	20,557	20,557
Total Liabilities		96,869	116,076	112,079	139,144

The fair value of borrowings is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 and 3 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed above.

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations

Fair values of financial assets:	2019/20		2018/19		
	Fair Value Level	£'000 Balance Sheet	£'000 Fair value	£'000 Balance Sheet	£'000 Fair value
<i>Financial assets held at amortised cost:</i>					
Long term investments	2	0	0	0	0
Total		0	0	0	0
<i>Assets for which fair value is not disclosed:</i>					
Short term Debtors		5,046	5,046	7,772	7,772
Long term Debtors		801	801	461	461
Short term investments		8,076	8,076	9,908	9,908
Cash and Cash Equivalents		23,543	23,543	32,659	32,659
Total		37,466	37,466	50,800	50,800
Total Assets		37,466	37,466	50,800	50,800

44 ACQUIRED OR DISCONTINUED OPERATIONS

Newark and Sherwood Homes ceased trading on 1 February 2020 and the responsibility for the Housing management service transferred to Newark and Sherwood District Council. The transfer has been reflected in the Statement of Accounts under merger accounting as per the Code of Practice. Therefore all the single entity accounts have been restated to include all the transferred assets and balances. Newark and Sherwood Homes is expected to be wound up in 2020/21.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Before Merger 2018/19			Adjustments		RESTATED 2018/19		
	Gross Expend- iture £'000	Gross Income £'000	Net Expend- iture £'000	Gross Expend- iture £'000	Gross Income £'000	Gross Expend- iture £'000	Gross Income £'000	Net Expend- iture £'000
Economic Development	6,515	-5,049	1,466	0	-1	6,515	-5,050	1,465
Homes and Communities	5,170	-2,544	2,626	0	0	5,170	-2,544	2,626
Leisure and Environment	8,009	-1,914	6,095	0	0	8,009	-1,914	6,095
Policy and Finance	32,221	-26,448	5,773	1	0	32,222	-26,448	5,774
Housing Revenue Account	15,326	-23,144	-7,818	1,423	-1,970	16,749	-25,114	-8,365
- Revaluation Movement on Council Dwellings	13,303	0	13,303	0	0	13,303	0	13,303
Cost of Services	80,544	-59,099	21,445	1,424	-1,971	81,968	-61,070	20,898
Other Operating Income and Expenditure	7,567	-2,374	5,193	0	0	7,567	-2,374	5,193
Financing and Investment Income and Expenditure	5,586	-570	5,016	287	-8	5,873	-578	5,295
Taxation and Non Specific Grant Income	12,181	-38,571	-26,390	0	0	12,181	-38,571	-26,390
Surplus (-) or Deficit on Provision of Services	105,878	-100,614	5,264	1,711	-1,979	107,589	-102,593	4,996
Surplus(-) or Deficit on Revaluation of Non Current Assets			-12,649		0			-12,649
Remeasurements of the Net Defined Benefit Liability (Asset)			-6,338		-1,809			-8,147
Other Comprehensive Income and Expenditure			-18,987		-1,809			-20,796
Total Comprehensive Income and Expenditure			-13,723		-2,077			-15,800

	31 March 2019 £'000	Adjustment	RESTATED 31 March 2019 £'000
BALANCE SHEET			
Property, Plant & Equipment	352,831	1,803	354,634
Heritage Assets	2,035	0	2,035
Investment Properties	0	0	0
Intangible Assets	288	0	288
Long Term Debtors	461	0	461
TOTAL LONG TERM ASSETS	355,615	1,803	357,418
Short Term Investments	9,908	0	9,908
Inventories	89	217	306
Short Term Debtors	7,987	-215	7,772
Assets Held For Sale	1,120	0	1,120
Cash and Cash Equivalents	32,538	121	32,659
TOTAL CURRENT ASSETS	51,642	123	51,765
Short Term Borrowings	-11,249	4,282	-6,967
Short Term Creditors	-15,666	172	-15,494
Provisions Short Term	-1,457	0	-1,457
Grants Receipts in Advance	-786	0	-786
TOTAL CURRENT LIABILITIES	-29,158	4,454	-24,704
Long Term Creditors	-4,839	0	-4,839
Provisions Long Term	-1,948	0	-1,948
Long Term Finance Lease Liability	-224	0	-224
Long Term Borrowing	-84,556	0	-84,556
Pensions Liability	-65,937	-9,427	-75,364
Grants Receipts in Advance	-6,117	-48	-6,165
TOTAL LONG TERM LIABILITIES	-163,621	-9,475	-173,096
TOTAL NET ASSETS	214,478	-3,095	211,383
Usable Reserves	53,461	6,332	59,793
Unusable Reserves	161,017	-9,427	151,590
TOTAL RESERVES	214,478	-3,095	211,383

HOUSING REVENUE ACCOUNT

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

RESTATED 2018/19 £'000	Note	2019/20 £'000
Income		
-21,364		-21,879
-164		-152
-33		-32
-21,561		-22,063
Gross Rental Income		
-599		-1,028
-77		-1,342
-1,744		0
-23,981		-24,433
Expenditure		
7,309		7,881
3,167		2,076
0		914
59		39
4,513		4,004
407		448
93		0
13,303		18,534
-8		92
76		82
28,919		34,070
0		4,253
4,938		13,890
Comprehensive Income and Expenditure Statement		
1,087		508
4,100		4,324
-16		-10
385		375
-3,409		-2,273
7,085		16,814

MOVEMENT ON THE HOUSING REVENUE ACCOUNT STATEMENT

RESTATED	
2018/19	2019/20
£'000	£'000
-5,113 HRA Balance brought forward	-6,398
7,085 Surplus(-)/Deficit on the HRA Income and Expenditure Statement	16,814
<i>Adjustments between Accounting Basis and Funding Basis under Regulations:</i>	
<i>Adjustments to the Revenue Resources</i>	
-757 Pensions costs (transferred to (or from) the Pensions Reserve)	-4,386
-18,072 Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to Capital):	-23,425
<i>Adjustments between Revenue and Capital Resources</i>	
2,072 Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,113
-46 Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)	-39
8,433 Posting of HRA resources from revenue to the Major Repairs Reserve	8,565
-8,370	-17,172
-1,285 Increase(-)/Decrease in year in the HRA	-358
-6,398 HRA Balance carried forward	-6,756

H1 HOUSING STOCK

The Council was responsible for managing 5,497 dwellings during 2019/2020 (5,447 2018/2019). The stock was made up as follows:

Total	Pre	1945-	1965-	1975-	Total
2018/19	1945	1964	1974	2013	2019/20
No	No	No	No	No	No
Traditional/Non Traditional Houses and Bungalows					
1,917 1 - 2 Bedrooms	23	192	166	101	482
1,969 3+ Bedrooms	430	1,722	603	687	3,442
Flats					
1,483 Low Rise (1-2 storeys)	19	697	435	393	1,544
78 Medium Rise (3-5)	0	4	9	16	29
5,447 Total	472	2,615	1,213	1,197	5,497

H2 HOUSING REVENUE ACCOUNT ASSETS

The total Balance Sheet valuations of land, houses and other property within the HRA are as follows:-

RESTATED	
2018/19	2019/20
£'000	£'000
277,474 Dwellings	287,490
8,040 Other Land and Buildings	7,450
0 Investment Properties	0
2,231 Assets Under Construction	4,545
185 Surplus Assets	0
78 Community Assets	78
389 Infrastructure Assets	357
2,983 Vehicle, Plant and Equipment	2,678
291,380 Total HRA Property, Plant and Equipment	302,598
1,120 Assets Held for Sale	1,010
292,500 Total HRA Assets on Balance Sheet	303,608

The vacant possession value of dwellings within the authority's HRA (values in accordance with the guidance) is shown below. The difference between the vacant possession value and the Balance Sheet value of dwellings within the HRA show the economic cost to the government of providing council housing at less than market rents.

2018/19	2019/20
£'000	£'000
656,679 Dwellings	684,502
656,679 Total	684,502

The council dwellings valuations have been arrived at using a valuation report prepared by the Council's appointed surveyors, Wilks Head and Eve. The valuation was carried out as at the 31 March 2020. The values have been applied to council houses on a beacon property base whereby similar properties in similar areas are all given the same value. Property valuations have moved in line with the current domestic property market.

H3 MOVEMENTS ON THE MAJOR REPAIRS RESERVE

2018/19	2019/20
£'000	£'000
6,573 Balance Brought Forward 1st April	10,107
Transfers to Reserve re Depreciation	
4,513 Dwellings	4,004
407 Non Dwellings	448
Transfers to the HRA:	
3,825 HRA Revenue Contribution	2,889
-312 Additional transfer to Reserve	1,223
-1,022 Repayment of Debt	-2,024
-3,877 Amounts used to finance Capital Expenditure	-4,947
10,107 Balance Carried Forward 31st March	11,700

H4 CAPITAL EXPENDITURE AND FINANCING

2018/19 £'000	2019/20 £'000
33 Structural Maintenance	63
424 Roofing Works	452
155 Asbestos and Fire Safety	74
1,608 Kitchens and Bathrooms	1,667
110 Garage Forecourts	89
514 External Works	414
578 Electrical Works	593
495 Disabled Facilities Provision	619
625 Heating Systems	730
177 Energy Efficiency Works	11
295 Environmental Works	233
8,455 Affordable Housing	8,770
29 Other works	2
13,498 Total	13,717
Financing	
5,333 Borrowing	1,853
3,877 Major Repairs Reserve	4,947
2,650 Government Grants	2,245
1,386 Contributions	0
0 Capital Provision	0
252 Capital Receipts	4,672
13,498 Total	13,717

H5 CAPITAL RECEIPTS

2018/19 £'000	2019/20 £'000
1,934 Land and Other Property	0
2,072 Sold Council Houses	1,864
-46 Less administration costs on sale of Council Houses	-39
3,960 Total	1,825
-350 Reallocation of Receipts	-350
-443 Less amount paid to Government Pool	-443
3,167 Total	1,032

Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended, the Council has to make a payment to the Secretary of State in respect of housing capital receipts. The amount payable is dependent on a number of factors:

- Sale price net of discount.
- Debt value assumed for the property under the self-financing settlement.
- Value of the authority's actual debt attributable to the property.
- The respective values of the authority's and Government's share capital.
- The number of properties sold in each quarter.

The Council has signed an agreement allowing it to retain additional Right to Buy receipts to fund new or acquired affordable housing.

H6 DEPRECIATION CHARGES

The total depreciation charge for land, houses and other property within the authority's HRA are as follows:

2018/19 £'000	2019/20 £'000
4,513 Council Houses	4,004
407 Land and Buildings	448
4,920 Total	4,452

H7 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue Expenditure Funded from Capital under Statute is created when expenditure has been incurred on items that are not capitalised as fixed assets and have been financed from capital resources. Revenue Expenditure Funded from Capital under Statute is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred.

The total amount of Revenue Expenditure Funded from Capital under Statute totals £0.039m for 2019/20 (£0.059m in 2018/19).

H8 IMPAIRMENT CHARGES

During the financial year 2019/20 there were no impairment charges.

H9 RENT ARREARS

The total amount of rent arrears as at 31st March 2020 was £754,899 (2018/2019 £700,416). Included in the loss allowance is the amount of £854,899 (2018/2019 £364,323) relating to rent arrears.

H10 CONTRIBUTIONS TOWARDS EXPENDITURE

The income of £86,075 (£77,170 in 2018/2019) relates to contributions to the Housing Revenue Account from the General Fund for the upkeep of communal amenities.

COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

2018/19 £'000	Domestic Rates £'000	2019/20 Council Tax £'000	Total £'000
Income			
-42,460	-42,441	0	-42,441
-75,374	0	-79,882	-79,882
0	0	0	0
-117,834	-42,441	-79,882	-122,323
Expenditure			
Precepts and Demands:			
54,828	0	57,229	57,229
7,546	0	8,504	8,504
2,994	0	3,094	3,094
6,602	0	6,730	6,730
-95	0	0	0
2,810	0	2,925	2,925
Non Domestic Rates:			
19,516	20,640	0	20,640
15,612	16,512	0	16,512
3,513	3,715	0	3,715
390	413	0	413
Share of NDR1 deficit(-)/Surplus:			
42	938	0	938
34	750	0	750
8	169	0	169
1	19	0	19
-1,316	-1,024	-2	-1,026
163	163	0	163
0	0	0	0
674	253	478	731
1,384	-4,315	0	-4,315
519	738	0	738
115,225	38,971	78,958	117,929
-2,609	-3,470	-924	-4,394
-1,991	-1,651	-2,949	-4,600
-4,600	-5,121	-3,873	-8,994

C1 ACCOUNTING POLICIES

- Revenue Support Grant is paid directly to all billing and precepting authorities and will be included within Taxation and Non Specific Grant Income on the Comprehensive Income and Expenditure Statement.
- Parish precepts are paid from the General Fund of billing authorities and will be included within Other Operating Expenditure on the Comprehensive Income and Expenditure Statement.
- The year-end surplus of £3.874m on the Council Tax collection fund is distributed between billing and precepting authorities on the basis of estimates, made on 15 January, of the year-end balance.
- The year end surplus of £5.122m on the Non Domestic Rate collection fund is distributed between billing and precepting authorities on the basis of prescribed shares between central government and precepting authorities.

C2 INCOME FROM BUSINESS RATES

Under the arrangements regarding Uniform Business Rates, the Council collects non domestic rates for its area which are based on local rateable values multiplied by a uniform rate which for 2019/2020 was 50.4p (2018/2019 49.3p). In 2019/2020 the Small Business Rate Relief reduced the multiplier to 49.1p where it applies. The system for funding Local Authority expenditure changed in 2013/2014 with a share of the proceeds of Non Domestic Rate income being retained by billing and precepting authorities.

The non-domestic rateable value at the 31st March 2020 was £108,055,356 (31st March 2019 £107,073,333).

C3 COUNCIL TAX

Council Tax is set by calculating the Council Tax base, and then dividing this into the precepts levied by the district, county, parish councils, Nottinghamshire Fire Authority and Nottinghamshire Police Authority. The tax base is the amount that setting a Council Tax of £1 for Band D properties (the standard band) would raise in revenue. The methodology and the factors taken into consideration are complex and are reported in detail when the tax base is set by the Council in December or January.

The Council Tax base for 2019/2020 is as follows:

Band	Adjusted for Discounts, Disabled Total Dwellings			Band D Equivalent	2019/2020	2018/2019
	Exemptions	Ratio	Non Collection		Adjusted for Non Collection	
A	23,257	16,666.65	6/9	11,111.10	10,999.94	10,840.94
B	8,113	6,620.40	7/9	5,149.20	5,097.71	5,031.59
C	8,756	7,697.48	8/9	6,842.20	6,773.78	6,730.53
D	5,891	5,402.70	9/9	5,402.70	5,348.67	5,241.38
E	4,089	3,788.26	11/9	4,630.10	4,583.80	4,547.61
F	2,611	2,485.18	13/9	3,589.70	3,553.80	3,529.67
G	1,416	1,337.28	15/9	2,228.80	2,206.51	2,195.52
H	129	104.75	18/9	209.50	207.40	202.95
Total	54,262	44,102.70		39,163.30	38,771.61	38,320.19

GROUP ACCOUNTS

The Council is required under the Local Government Act 2003 to produce a set of Group accounts where it has subsidiaries, joint ventures or associates. The criteria for deciding if the Council has such relationships is laid down by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 based on International Financial Reporting Standards (referred to within these accounts as "the Code"). The Code has been developed to bring Council accounts in line with the International Financial Reporting Standards (IFRS) which other reporting bodies have to comply with and to assist users of the accounts to understand better the Council's overall financial position.

The Council has undertaken a review of all its relationships with other bodies and is required to consolidate its accounts with Active4Today Ltd and Arkwood Developments Ltd.

Active4Today Ltd is a wholly owned subsidiary of the authority. Active4Today Ltd manages and operates the Council's leisure services including leisure centres and sports development activities. The General Fund includes a £0.121m management fee paid to Active4Today Ltd. The management agreement came into effect on 1 June 2015.

Active4Today Ltd produces a set of accounts with a year end of 31 March. The accounts for 2019/2020, which have been consolidated here, have been produced by Active4Today's external accountant under the Financial Reporting Standard for Smaller Entities and have been audited by Active4Today's auditors and have been given an unqualified audit opinion. Active4Today's auditors for 2019/20 are Wright Vigar Ltd, 15 Newland, Lincoln, Lincolnshire, LN1 1XG. Consolidation adjustments have been made to align these accounts with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/2020. Active4Today Ltd publishes an Annual Report which may be viewed at their offices at Newark Sports and Fitness Centre, Bowbridge Road, Newark on Trent, Notts, NG24 4DH. The company is limited by guarantee and does not have any share capital.

Arkwood Development Ltd is a wholly owned subsidiary of the Council. The purpose of Arkwood is to build new housing developments in the district which can then be sold at market value.

Arkwood Development Ltd produce a set of company accounts with a year end of 31 March. The accounts for 2019/2020, which have been consolidated here, have been audited by Arkwood's auditors and have been given an unqualified audit opinion. Arkwood's auditors for 2019/20 are Wright Vigar Ltd, 15 Newland, Lincoln, Lincolnshire, LN1 1XG. Arkwood Development Ltd publish an Annual Report which may be viewed at their offices at Castle House, Great North Road, Newark, Notts, NG24 1BY. The company does have share capital, all of which is owned by the Council.

ACCOUNTING POLICIES

The following notes detail any variations from the accounting policies used by the authority and should be read in conjunction with the relevant notes within the authority's accounts. The consolidation has been done on a merger basis as Active4Today Ltd and Arkwood are 100% owned by NSDC.

TAXATION

Active4Today Ltd is subject to a charge for taxation which is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required full provision is made without discounting in respect of all timing differences which have arisen but not reversed by the Balance Sheet date, except as otherwise required by IAS 12.

Arkwood is subject to a charge for taxation which is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Except where otherwise required, full provision is made without discounting in respect of all timing differences which have arisen but not reversed by the Balance Sheet date, except as otherwise required by IAS 12.

RESTATEMENT OF 2018/19

Last financial year Arkwood Developments wasn't included in the Council's group accounts on the grounds of materiality, however as they have now exceeded that value and require to be included within the group accounts, last financial years' group account figures need to be restated to include their 2018/19 accounts.

Also, Active4Today had their pension figures restated for 2018/19 due to the impact of the McCloud & Sargeant judgement and this restatement also needs to be reflected within the group account figures for 2018/19.

	2018/19		
	Gross Expend- iture	Gross Income	Net Expend- iture
	£'000	£'000	£'000
Arkwood Comprehensive Income and Expenditure			
Housing - Arkwood	33	0	33
Net Cost of Service Impact	33	0	33

	31 March 2019 £'000
Arkwood Balance Sheet	
Cash and Cash Equivalents	65
Short Term Creditors	-98
TOTAL NET ASSETS	-33
Usable Reserves	-33
TOTAL RESERVES	-33

	2018/19 Net Expend- iture £'000
Active4Today Other Comprehensive Income and Expenditure	
Remeasurements of the Net Defined Benefit Liability (Asset) - Active4today	
Previous figure	-245
Adjustment	122
Restated pension figure for McCloud & Sargeant impact	-123

	31 March 2019 £'000
Active4Today Balance Sheet	
Pension Liability previous closing balance at 31.3.19	0
Adjustment	122
Restated Closing balance on Pension Liability at 31.3.19	3,049

GROUP MOVEMENT IN RESERVES

Movement in reserves during 2019/20

	A4T Arkwood Council							A4T Council					
	General Fund Balance	Earmarked Reserves	Earmarked Reserves	Earmarked General Fund Reserves	Housing Revenue Account	Housing Revenue Account Earmarked Reserves	Major Repairs Reserve	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2019	1,500	400	-33	25,124	2,000	4,398	10,107	6,991	9,673	60,160	-3,049	151,590	208,701
Total Comprehensive Income and Expenditure	1,927	0	0	0	-16,814	0	0	0	0	-14,887	189	38,659	23,961
Adjustment between Group Accounts and Authority accounts	0	-295	-134	0	0	0	0	0	0	-429	0	0	-429
Adjustment between accounting basis & funding basis under regulations	-3,016	292	0	0	17,172	0	1,593	1,467	-4,219	13,289	-292	-12,997	0
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	-1,089	-3	-134	0	358	0	1,593	1,467	-4,219	-2,027	-103	25,662	23,532
Transfers to/from(-) Earmarked Reserves	1,089	0	0	-1,089	-358	358	0	0	0	0	0	0	0
Transfer to Unusable Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease(-) in 2019/20	0	-3	-134	-1,089	0	358	1,593	1,467	-4,219	-2,027	-103	25,662	23,532
Balance at 31 March 2020	1,500	397	-167	24,035	2,000	4,756	11,700	8,458	5,454	58,133	-3,152	177,252	232,233

Movement in reserves during 2018/19

RESTATED	A4T Arkwood Council					A4T Council							
	General Fund Balance £'000	Earmarked Reserves £'000	Earmarked Reserves £'000	Earmarked General Fund Reserves £'000	Housing Revenue Account £'000	Housing Revenue Account Earmarked Reserves £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Capital Receipts Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Balance at 31 March 2018	1,737	378	0	21,512	2,000	3,113	6,573	5,424	9,565	50,302	-2,889	145,659	193,072
Total Comprehensive Income and Expenditure	2,089	0	0	0	-7,085	0	0	0	0	-4,996	123	20,796	15,923
Adjustment between Group Accounts and Authority accounts	0	-261	-33	0	0	0	0	0	0	-294	0	0	-294
Adjustment between accounting basis & funding basis under regulations	1,286	283	0	0	8,370	0	3,534	1,567	108	15,148	-283	-14,865	0
Net Increase/Decrease(-) before Transfers to Earmarked Reserves	3,375	22	-33	0	1,285	0	3,534	1,567	108	9,858	-160	5,931	15,629
Transfers to/from(-) Earmarked Reserves	-3,612	0	0	3,612	-1,285	1,285	0	0	0	0	0	0	0
Transfer to Unusable Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease(-) in 2018/19	-237	22	-33	3,612	0	1,285	3,534	1,567	108	9,858	-160	5,931	15,629
Balance at 31 March 2019	1,500	400	-33	25,124	2,000	4,398	10,107	6,991	9,673	60,160	-3,049	151,590	208,701

GROUP BALANCE SHEET

RESTATED 31 March 2019 £'000	2019/20					31 March 2020 £'000
	NSDC £'000	Active4 today £'000	Arkwood £'000	Inter Comp Adj £'000	31 March 2020 £'000	
354,634 Property, Plant & Equipment	371,924	0	0	0	371,924	
2,035 Heritage Assets	2,020	0	0	0	2,020	
0 Investment Properties	0	0	0	0	0	
288 Intangible Assets	268	0	0	0	268	
0 Long Term Investments	10,536	0	0	-3,833	6,703	
461 Long Term Debtors	801	0	0	0	801	
357,418 TOTAL LONG TERM ASSETS	385,549	0	0	-3,833	381,716	
9,908 Short Term Investments	8,076	0	0	0	8,076	
310 Inventories	305	1	124	0	430	
7,707 Short Term Debtors	15,807	641	17	-824	15,641	
1,120 Assets Held For Sale	1,170	0	0	0	1,170	
32,809 Cash and Cash Equivalents	23,519	64	3,818	0	27,401	
51,854 TOTAL CURRENT ASSETS	48,877	706	3,959	-824	52,718	
-6,407 Short Term Borrowings	-9,350	0	0	524	-8,826	
-15,776 Short Term Creditors	-18,591	-309	-126	300	-18,726	
-1,457 Provisions Short Term	-391	0	0	0	-391	
-786 Grants Receipts in Advance	-898	0	0	0	-898	
-24,426 TOTAL CURRENT LIABILITIES	-29,230	-309	-126	824	-28,841	
-4,887 Long Term Creditors	-7,210	0	0	0	-7,210	
-1,948 Provisions Long Term	-1,288	0	0	0	-1,288	
-224 Long Term Finance Lease	-224	0	0	0	-224	
-84,556 Long Term Borrowing	-83,830	0	0	0	-83,830	
-78,413 Pensions Liability	-71,489	-3,152	0	0	-74,641	
-6,117 Grants Receipts in Advance	-6,167	0	0	0	-6,167	
-176,145 TOTAL LONG TERM LIABILITIES	-170,208	-3,152	0	0	-173,360	
208,701 TOTAL NET ASSETS	234,988	-2,755	3,833	-3,833	232,233	
60,160 Usable Reserves	57,903	397	3,833	-4,000	58,133	
148,541 Unusable Reserves	177,085	-3,152	0	167	174,100	
208,701 TOTAL RESERVES	234,988	-2,755	3,833	-3,833	232,233	

GROUP CASH FLOW STATEMENT

RESTATED 2018/19 £'000	2019/20					31 March 2020 £'000
	NSDC £'000	Active4 today £'000	Arkwood £'000	Inter Comp Adj £'000	31 March 2020 £'000	
-5,290 Net Surplus/Deficit(-) on the Provision of Services	-15,056	-294	-134	167	-15,317	
27,429 Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	31,609	273	3,887	-37	35,732	
-10,346 Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	-6,828	0	0	-167	-6,995	
11,793 Net Cash Flows from Operating Activities	9,725	-21	3,753	-37	13,420	
-5,110 Investing Activities	-21,080	0	0	0	-21,080	
10,781 Financing Activities	2,215	0	0	37	2,252	
17,464 Net Increase or Decrease(-) in Cash and Cash Equivalents	-9,140	-21	3,753	0	-5,408	
15,345 Cash and Cash Equivalents at the Beginning of the Reporting Period	32,659	85	65	0	32,809	
32,809 Cash and Cash Equivalents at the End of the Reporting Period	23,519	64	3,818	0	27,401	

GROUP ACCOUNT NOTES

The following notes have been prepared on an exception basis, with only those items which have changed from the District Council's Statement of Accounts being included. For all other items, reference should be made to the Council's Comprehensive Income and Expenditure Statement on page 35 and Balance Sheet on page 37 and the appropriate note.

G1 INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations; this ensures that expenditure and income is only reflected once within the accounts. The elements of the accounts adjusted for inter company transactions are detailed below.

Group Comprehensive Income and Expenditure	NSDC £'000	Active4 Arkwood today £'000	£'000	Inter Comp Adj £'000	2019/20 Group £'000
Economic Development	2,250	0	0	1	2,251
Homes and Communities	2,747	0	0	152	2,899
Leisure and Environment	5,004	0	0	-264	4,740
Leisure and Environment - Active4today	0	222	0	-280	-58
Policy and Finance	4,869	0	0	407	5,276
Housing Revenue Account	-4,644	0	0	0	-4,644
Housing - Arkwood	0	0	151	-7	144
- Revaluation Movement on Council Dwellings	18,534	0	0	0	18,534
Cost of Services	28,760	222	151	9	29,142
Other Operating Income and Expenditure	12,565	0	0	0	12,565
Financing and Investment Income and Expenditure	5,432	0	0	-9	5,423
Financing and Investment Income and Expenditure - Arkwood	0	0	-17	0	-17
Interest payable and similar charges - A4T	0	72	0	0	72
Taxation and Non Specific Grant Income	-31,869	0	0	0	-31,869
Corporation Tax - A4T	0	1	0	0	1
Group Surplus(-)/Deficit	14,888	295	134	0	15,317

G2 GROUP EXPENDITURE AND FUNDING ANALYSIS

RESTATED 2018/19			2019/20		
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	Net Expenditure Chargeable to the General Fund and HRA Balances £'000	Adjustment between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
1,317	150	1,467	1,112	1,139	2,251
2,770	352	3,122	2,489	410	2,899
3,413	2,555	5,968	3,417	1,323	4,740
-345	210	-135	-278	220	-58
5,242	1,435	6,677	4,823	453	5,276
-14,878	18,869	3,991	-13,325	27,215	13,890
33	0	33	144	0	144
-2,448	23,571	21,123	-1,618	30,760	29,142
-2,202	-13,705	-15,907	2,502	-16,383	-13,881
0	0	0	-17	0	-17
0	73	73	0	72	72
1	0	1	1	0	1
-4,649	9,939	5,290	868	14,449	15,317
General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000	General Fund & Earmarked Reserve £'000	HRA & Earmarked Reserve £'000	Total £'000
-23,627	-5,113	-28,740	-26,991	-6,398	-33,389
-3,364	-1,285	-4,649	1,226	-358	868
-26,991	-6,398	-33,389	-25,765	-6,756	-32,521
Closing Balances Split by Reserve:					
-1,500	-2,000	-3,500	-1,500	-2,000	-3,500
-25,491	-4,398	-29,889	-24,265	-4,756	-29,021
-26,991	-6,398	-33,389	-25,765	-6,756	-32,521

G3 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

Adjustments between Funding and Accounting Basis 2019/20

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	978	114	47	1,139
Homes and Communities	344	83	-17	410
Leisure and Environment	1,225	136	-38	1,323
Leisure - Active4today	0	220	0	220
Policy and Finance	206	291	-44	453
Housing Revenue Account	23,116	4,099	0	27,215
Housing - Arkwood	0	0	0	0
Net Cost of Services	25,869	4,943	-52	30,760
Other income and expenditure from the Expenditure and Funding Analysis	-16,991	1,606	-998	-16,383
Other Income and Expenditure	0	72	0	72
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	8,878	6,621	-1,050	14,449

Adjustments between Funding and Accounting Basis 2018/19

RESTATED Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for Capital Purposes (Note 1) £'000	Net change for the Pensions Adjustment (Note 2) £'000	Other Differences (Note 3) £'000	Total Adjustments £'000
Economic Development	-60	210	0	150
Homes and Communities	190	162	0	352
Leisure and Environment	2,298	257	0	2,555
Leisure - Active4today	0	210	0	210
Policy and Finance	263	1,172	0	1,435
Housing Revenue Account	18,367	502	0	18,869
Net Cost of Services	21,058	2,513	0	23,571
Other income and expenditure from the Expenditure and Funding Analysis	-15,369	2,013	-349	-13,705
Other Income and Expenditure	0	73	0	73
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	5,689	4,599	-349	9,939

Note 1 Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- Financing and investment income and expenditure – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Note 2 Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service
- For Financing and investment income and expenditure – the net interest on the defined benefit liability is charged to the CIES.

Note 3 Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For Financing and investment income and expenditure the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under Taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

G4 EXPENDITURE AND INCOME ANALYSED BY NATURE

Expenditure/Income 2019/20	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Fees, Charges and Other Service Income	-5,277	-973	-4,823	-2,601	-24,433	0	-38,107	
Income on Joint Associates	0	0	0	0	0	-127	-127	
Interest and Investment Income	0	0	0	0	0	-1,084	-1,084	
Income from Council Tax	0	0	0	0	0	-9,765	-9,765	
Income from Non Domestic Rates	0	0	0	0	0	-22,813	-22,813	
Housing Benefit Subsidy Rent Allowance	0	0	0	-11,089	0	0	-11,089	
Housing Benefit Subsidy Rent Rebates	0	0	0	-9,510	0	0	-9,510	
Government Grants and Contributions	-57	-824	0	-489	0	-13,715	-15,085	
Disposal of Assets	0	0	0	0	0	-2,182	-2,182	
Adjustment for Group Transactions	1	153	283	418	0	0	855	
Total Income	-5,333	-1,644	-4,540	-23,271	-24,433	-49,686	-108,907	
Employee Expenses	3,299	2,417	3,688	4,811	9,275	0	23,490	
Other Service Expenses	3,333	1,783	5,451	2,837	6,040	8,065	27,509	
Housing Benefit Rent Allowance	0	0	0	11,145	0	0	11,145	
Housing Benefit Rent Rebates	0	0	0	9,560	0	0	9,560	
Expenditure on Joint Associates	0	0	0	0	0	144	144	
Support Service Recharges	0	0	0	0	0	461	461	
Depreciation, Amortisation and Impairment	952	344	910	206	23,077	0	25,489	
Changes in Fair Value	0	0	0	0	0	797	797	
Interest Payments	0	0	0	0	82	5,771	5,853	
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	13,963	13,963	
Precepts and Levies	0	0	0	0	0	3,471	3,471	
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	443	
Disposal of Assets	0	0	0	0	0	2,753	2,753	
Corporation Tax	0	0	0	0	0	1	1	NSDC 15,175
Adjustment for Group Transactions	0	-1	-827	-12	-7	-8	-855	A4Today 15
Total Operating Expenses	7,584	4,543	9,222	28,547	38,467	35,861	124,224	Arkwood 127
Surplus(-)/Deficit on Provision of Services	2,251	2,899	4,682	5,276	14,034	-13,825	15,317	15,317

Expenditure/Income 2018/19	Economic Development	Homes and Communities	Leisure and Environment	Policy and Finance	Housing Revenue Account	Corporate Amounts	Total
RESTATED	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	-4,992	-1,125	-4,783	-2,010	-25,115	-1,123	-39,148
Income on Joint Associates	0	0	0	0	0	-132	-132
Interest and Investment Income	0	0	0	0	0	-566	-566
Income from Council Tax	0	0	0	0	0	-9,331	-9,331
Income from Non Domestic Rates	0	0	0	0	0	-19,106	-19,106
Government Grants and Contributions	-56	-928	-83	-23,971	0	-9,012	-34,050
Disposal of Assets	0	0	0	0	0	-2,253	-2,253
Adjustment for Group Transactions	0	109	244	457	0	0	810
Total Income	-5,048	-1,944	-4,622	-25,524	-25,115	-41,523	-103,776
Employee Expenses	3,117	2,379	3,587	5,584	0	0	14,667
Other Service Expenses	3,571	2,497	6,755	26,355	10,755	323	50,256
Expenditure on Joint Associates	0	0	0	0	0	88	88
Developers Contribution Payment	0	0	0	0	0	504	504
Depreciation, Amortisation and Impairment	-173	190	918	263	18,308	0	19,506
Interest Payments	0	0	0	0	76	5,942	6,018
Non Domestic Rates Tariff & Deficit	0	0	0	0	0	11,678	11,678
Precepts and Levies	0	0	0	0	0	3,344	3,344
Payments to Housing Capital Receipts Pool	0	0	0	0	0	443	443
Disposal of Assets	0	0	0	0	0	3,371	3,371
Corporation Tax	0	0	0	0	0	1	1
Adjustment for Group Transactions	0	0	-805	-1	0	-4	-810
Total Operating Expenses	6,515	5,066	10,455	32,201	29,139	25,690	109,066
Surplus(-)/Deficit on Provision of Services	1,467	3,122	5,833	6,677	4,024	-15,833	5,290
						NSDC	5,319
						A4Today	-62
						Arkwood	33
							5,290

G5 INVENTORIES

The stocks held by the Group valued using the First in First out method of valuation can be analysed as follows:-

2018/19 £'000	NSDC £'000	Active4		Group Total £'000
		today £'000	Arkwood £'000	
37 Heritage and Visitor Centres	37	0	0	37
6 Administrative Stores	7	0	0	7
46 Transport Stores	47	0	0	47
68 Stock (Van and Leisure Centre)	64	1	0	65
153 Raw Materials and Consumables	150	0	0	150
0 Works in Progress - Project 1	0	0	124	124
310 Total	305	1	124	430

G6 SHORT TERM DEBTORS

The amounts due to the Group were:-

2018/19 £'000	NSDC £'000	Active4		Group Total £'000
		today £'000	Arkwood £'000	
Amounts falling due within one year:-				
2,258 Trade Receivables	2,253	0	0	2,253
451 Prepayments	211	9	0	220
-722 Inter Company Transactions	-235	-589	0	-824
7,244 Other Receivable Amounts	15,777	632	17	16,426
9,231 Total	18,006	52	17	18,075
-1,524 Less Loss Allowance	-2,434	0	0	-2,434
7,707 Total Short Term Debtors	15,572	52	17	15,641

G7 SHORT TERM CREDITORS

The amounts owed by the Group were:-

2018/19 £'000	NSDC £'000	Active4		Group Total £'000
		today £'000	Arkwood £'000	
Amounts falling due within one year:-				
6,869 Trade Payables	5,962	0	0	5,962
8,971 Other Payables	12,629	309	126	13,064
-162 Inter Company Transactions	-65	-144	-91	-300
15,678 Total Short Term Creditors	18,526	165	35	18,726

G8 CASH AND CASH EQUIVALENTS

RESTATED

2018/19 £'000	NSDC £'000	Active4		2019/20 £'000
		today £'000	Arkwood £'000	
4 Cash held by the Council	4	0	0	4
28 Cash in transit	-26	0	0	-26
1,221 Bank current accounts	560	64	3,818	4,442
31,491 Short-term deposits with Money Market Funds	22,981	0	0	22,981
0 Inter Company Adjustments	0	0	0	0
32,744 Current Assets	23,519	64	3,818	27,401
0 Cash in transit	0	0	0	0
0 Bank current accounts (overdraft)	0	0	0	0
0 Current Liabilities	0	0	0	0
32,744 Total Cash and Cash Equivalents	23,519	64	3,818	27,401

G9 PENSIONS

A pension deficit of £3.183m for Active4Today Ltd has been consolidated into the group accounts. Arkwood only operates a contribution pension plan so don't accumulate a pension liability.

RESTATED

2018/19 £'000	NSDC £'000	Active4		2018/19 £'000
		today £'000	Arkwood £'000	
82,086 Deficit at 1 April	75,368	3,049	0	78,417
<i>Cost of Service</i>				
6,012 Current Service Cost	3,921	437	0	4,358
<i>Financing and Investment Income and Expenditure</i>				
2,051 Net Interest Expense	1,569	72	0	1,641
42 Admin Expense	34	1	0	35
0 Past Service Cost	169	0	0	169
-8,270 Remeasurement of net defined benefit liability	-10,205	-189	0	-10,394
0 Gain/(loss) from settlements	3,963	0	0	3,963
-3,504 Employer Contributions	-3,330	-218	0	-3,548
78,417 Deficit at 31 March	71,489	3,152	0	74,641

G10 RECONCILIATION OF (SURPLUS)/DEFICIT ON PROVISION OF SERVICES TO OPERATING ACTIVITIES NET CASH FLOW

2018/19 £'000	NSDC £'000	Active4		2019/20 £'000
		today	Arkwood	
-5,290	-14,888	-294	-135	-15,317
Net Surplus or Deficit(-) on the Provision of Services				
Adjust net surplus or deficit on the provision of services for non-cash movements				
6,667	6,339	0	0	6,339
12,799	19,071	0	0	19,071
65	88	0	0	88
0	0	0	0	0
-4,281	6,912	-37	28	6,903
10	10	0	0	10
3,678	-9,089	-21	-17	-9,127
19	2	2	-125	-121
4,595	6,328	292	0	6,620
3,323	2,709	0	0	2,709
553	-760	0	4,000	3,240
27,428	31,610	236	3,886	35,732
Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities				
0	-166	0	0	-166
-8,141	-4,690	0	0	-4,690
-2,205	-2,139	0	0	-2,139
-10,346	-6,995	0	0	-6,995
11,792	9,727	-58	3,751	13,420

2018/19 £'000	NSDC £'000	Active4		2019/20 £'000
		today	Arkwood	
-15,418	-17,928	0	0	-17,928
0	-46,001	0	0	-46,001
31	-712	0	0	-712
2,205	2,138	0	0	2,138
0	36,400	0	0	36,400
8,072	5,023	0	0	5,023
-5,110	-21,080	0	0	-21,080

GLOSSARY OF TERMS

PLEASE NOTE: This glossary provides an explanation of terms, not precise definitions. It should not be used as a substitute for the more detailed and specific definitions given in statute, codes of practice and technical guidance. It should be used in conjunction with explanations provided within and supporting the accounting statements.

ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements

- Recognising
- Selecting measurement bases for, and
- Presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or loss is to be recognised, the basis on which it is to be measured, and where in the revenue account or Balance Sheet it is to be presented.

ACCRUALS

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

ADMINISTRATIVE BUILDINGS

Buildings that either have a shared use or are not charged directly to a service. The costs relating to all such buildings are allocated to the users of the buildings on some appropriate basis (usually the floor area occupied by each user).

AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset, charged annually to service revenue accounts.

ARMS LENGTH MANAGEMENT COMPANY

The Council is the sole shareholder of this company that it created solely for the purpose of managing its Housing stock.

BALANCES

Surplus of income over expenditure that may be used to finance expenditure. Balances can be earmarked in the accounts for specific purposes. Those that are not, represent resources set aside for such purposes as general contingencies and cash flow management.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

BILLING AUTHORITIES

Those authorities that set the Council Tax and collect the Council Tax and Non-Domestic Rates

CAPITAL ADJUSTMENT ACCOUNT

under the Code and are financed through the capital controls system. It should be noted that this account and the Revaluation Reserve are matched by fixed assets within the Balance Sheet - they are not resources available to the Council, and are therefore termed Unusable Reserves.

CAPITAL CHARGES

Annual charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

CAPITAL EXPENDITURE

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue

CAPITAL PROGRAMME

The capital projects a Council proposes to undertake over a set period of time. The usual period covered by a capital programme is three to five years.

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by Government. Capital receipts cannot, however, be used to finance revenue expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the National Local Government Finance Act 1988. It includes the transactions of the charging Council in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to Central Government, preceptors and the General Fund.

COMMUNITY ASSETS

These are assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services. It also covers items of Civic Regalia.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

COUNCIL TAX

The main source of local taxation to local authorities. Council Tax is levied on households within its area by the billing Council and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

COUNCIL TAX BASE

The council tax base of an area is equal to the number of band "D" equivalent properties. It is calculated by counting the number of properties in each of the eight Council Tax bands and then converting this into an equivalent number of band "D" properties (e.g. a band "H" property pays twice as much Council Tax as a band "D" property and therefore is equivalent to two band "D" properties). For the purpose of calculating Formula Grant, the Government assumes a 100% collection rate. For the purpose of calculations made by a local Council of the basic amount of Council Tax for its area for each financial year, the Council makes an estimate of its collection rate and reflects this in the tax base.

CURRENT EXPENDITURE

Expenditure on running costs such as that in respect of employees, premises and supplies and services.

DEFERRED CAPITAL RECEIPTS

Amounts derived from the sale of assets that will be received in instalments over agreed periods of time. These arise mainly from mortgages on the sale of council houses.

DEFERRED CREDITORS

This term applies to the monies owed by the Council more than 12 months from the Balance Sheet date.

DEPRECIATION

Charges reflecting the wearing out, consumption or other reduction in the useful life of a fixed asset.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

EMOLUMENTS

All sums paid to or receivable by an employee and any sums due by way of expenses allowance (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employee or employer are excluded.

EXTERNAL AUDIT

The independent examination of the activities and accounts of local authorities to ensure that the accounts have been prepared in accordance with legislative requirements and proper practices, to ensure that the Council has proper arrangements in place for securing financial resilience and to challenge how it secures economy, efficiency and effectiveness in its use of

FEES AND CHARGES

Income raised by charging users of services for the facilities. For example, Councils usually make charges for the use of leisure facilities, car parks and the collection of trade refuse etc.

FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the Balance Sheet.

FINANCIAL INSTRUMENT

Contracts which give rise to a financial asset of one organisation and a financial liability.

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

An account that holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Account and the accumulated financing costs required in accordance with regulations to be charged to the General Fund Balance.

FINANCIAL REPORTING STANDARD (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

FINANCIAL YEAR

The Council's financial year commences on 1 April and ends on 31 March the following year.

GAAP

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

GENERAL FUND

The main revenue fund of a billing Council. Day to day spending on services is met from this Fund. Spending on the provision of council housing must be charged to a separate Housing Revenue Account.

GROSS EXPENDITURE

The total cost of providing Council services before taking into account income from government grants and fees and charges for services.

HERITAGE ASSETS

An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

HOUSING BENEFIT

Financial help given to Council's or private tenants whose income is below prescribed amounts. The Government finances approximately 100% of the cost of benefits to non HRA tenants ("rent allowances") and HRA tenants (through the rent rebate element of housing

HOUSING REVENUE ACCOUNT

A Council's statutory account covering revenue income and expenditure on the housing services relating to its housing stock.

IMPAIRMENT

Impairment occurs when the value of an asset has reduced. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Accounting standards adopted from 1 April 2010 for Local Government entities.

INFRASTRUCTURE ASSETS

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

INTERNAL AUDIT

An independent appraisal function established by the management of an organisation for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources. Every Council is required to maintain an adequate and efficient internal audit. A review of the effectiveness of the internal audit function of a Council has to be considered and approved by the Council's Members each year.

INVESTMENTS

Deposits with approved institutions, usually for less than one year.

LONG TERM DEBTORS

Amounts due to the Council more than one year after the Balance Sheet date.

MINIMUM REVENUE PROVISION (MRP)

The minimum annual provision from revenue towards a reduction in a Council's overall borrowing requirement.

NON DOMESTIC RATE (NDR)

The Council collects Non Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain relief's and deductions, including Council Tax benefit, is shared between Central Government (50%), District Councils (40%), County Council (9%) and Fire Authority (1%).

NET EXPENDITURE

Gross expenditure less gross income.

NON-OPERATIONAL ASSET

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include properties and land that are Held For Sale or Surplus.

OPERATIONAL ASSET

Fixed assets held by the Council and used or consumed in the delivery of its services.

OPERATIONAL LEASE

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company, or lessor.

PENSION FUND

An employees' pension fund maintained by a Council, or a group of authorities, in order to make pension payments on retirement of participants. It is financed from contributions from the employing Council, the employee and investment income.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NDR) and precept upon the billing Council, which then collects it on their behalf. Nottinghamshire County Council, Nottinghamshire Police and Crime Commissioner, Nottinghamshire Fire and Rescue Authority and Parish Councils all precept upon Newark and Sherwood District Council.

PROVISIONS

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

PUBLIC WORK LOANS BOARD (PWLB)

A Government body that meets part of the Council's loan finance for capital purposes.

RELATED PARTIES

Two or more parties are related parties when at any one time in the financial period:

- One party has direct or indirect control of the other party;
- The parties are subject to common control from the same source;
- One party has influence over the financial or operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate
- The parties, in entering a transaction are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate

Examples of related parties of an Council include:

- UK Central Government;
- Local authorities and other bodies precepting or levying demands on the Council Tax;
- Its subsidiary and associated companies;
- Its joint ventures and joint venture partners;
- Its Members;
- Its Senior Officers.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of close family, or the same household;

Partnerships, companies, trusts and other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

REVALUATION RESERVE

This records unrealised revaluation gains arising since 1st April 2007 from holding assets. It should be noted that this reserve and the Capital Adjustment Account are matched by fixed assets within the Balance Sheet. They are not resources available to the Council and are therefore termed 'Unusable'.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

REVENUE SUPPORT GRANT (RSG)

This funding is the Government grant provided by the Ministry of Housing, Communities and Local Government's (MHCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the MHCLG is fixed at the beginning of each financial year, and is announced as part of the Comprehensive Spending

SOFT LOANS

A "soft loan" is where a loan has been made for policy reasons, rather than as a financial instrument. These loans may be interest free or at rates below prevailing market rates. Commonly, such loans are made to local organisations that undertake activities that the Council considers will have benefit to the local population.

STATEMENT OF ACCOUNTS

Local authorities are required to prepare, in accordance with proper practices, a Statement of Accounts in respect of each financial year, which contains prescribed financial statements and associated notes. Members of the Council must approve the Statement by 30 September following the end of the financial year.

STATEMENT OF RECOMMENDED PRACTICE (CODE)

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice.

TOTAL COST

The total cost of a service or activity includes all costs that relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and depreciation charges. This includes an appropriate share of all support services and overheads that need to be apportioned.

TRADING SERVICES

Services that are, or are generally intended to be, financed mainly from charges levied on the users of the service.

USABLE CAPITAL RECEIPTS

Amounts available to finance capital expenditure in future years.

USABLE RESERVES

provisions. They include general balances and reserves that have been earmarked for specific purposes. Expenditure is not charged directly to a reserve, but to the appropriate service revenue account.

UNUSABLE RESERVES

Represent gains and losses yet to be realised and which are not available to support services.

Annual Governance Statement

1. Scope of responsibility

Newark and Sherwood District Council is responsible for ensuring that the Authority's own and, (with the addition of Newark and Sherwood Homes, Active4Today Ltd and Arkwood Developments Ltd), its Group business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newark and Sherwood District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Newark and Sherwood District Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

2. The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled. The framework also includes activities through which the authority accounts to, engages with, and leads the communities that it serves. It enables the authority to monitor and assess the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Newark and Sherwood District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Newark and Sherwood District Council for the year ended 31 March 2020. Since May 2013 the Council has operated governance arrangements through the use of a Committee system.

3. The governance framework

The key elements of the District Council's governance framework are as follows:

The District Council has adopted a Constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is subject to periodic change either through national legislation or local decision and the Governance Framework may be amended accordingly. Within the Constitution, the Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, which was revised in 2016. The Council's Code of Corporate Governance was also reviewed during 2016 to ensure it complied with the requirements of the revised Framework.

The Annual Governance Statement explains how the Council has complied with the code and also meets the requirements of Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 which require an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts (England).

The Council adopted a new Community Plan for the 2019/20 financial year which was approved at Council on 7th March 2019. The new Community Plan spans the medium term from 2019 through to 2023 and sets out 11 Objectives (<https://www.newark-sherwooddc.gov.uk/councilpriorities/>). The delivery of these objectives is being conducted in accordance with the Governance framework.

During 2019/20 the Council facilitated policy and decision-making through a Committee system. Meetings are open to the public except where exempt or confidential matters are being considered. In addition, the Council's Constitution gives delegated authority for senior officers of the Council to make decisions in certain specified circumstances.

The District Council has a cross-service Risk Management Group that meets regularly to identify and evaluate all significant risks. Strategic, Corporate and Operational Risk Registers are in place and appropriate staff have been trained in the assessment, management and monitoring of risks. In addition to this, a Fraud Risk Register is in place and a full refresh took place during 2019/20 facilitated by the Council's Internal Audit contractors Assurance Lincolnshire. This was due to be presented to the Audit and Accounts Committee at its meeting in April, but due to the Coronavirus Pandemic, this meeting was cancelled.

Through reviews by external auditors, external agencies, internal auditors, and its performance team the District Council constantly seeks ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Services are delivered by trained and experienced officers. All posts have a detailed job description and person specification. Training needs are identified through the Performance Appraisal Scheme, which was reviewed and updated in 2019.

The statutory role of Monitoring Officer is undertaken by the Director of Governance and Organisational Development. It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. The standards of behaviour for members and employees are defined through Codes of Conduct and the Code of Corporate Governance. The Council also has an Anti-Fraud and Corruption Strategy and a Whistleblowing Policy that enables concerns to be raised confidentially by employees or persons doing business with the Council. A complaints system is also operated by the Council to enable comments on services to be received and investigated.

The Director of Resources post is combined with the Deputy Chief Executive position and has the s151 Officer responsibilities attached to it. The s151 Officer is responsible for the proper administration of the Council's financial affairs including maintenance of financial records, presentation of statutory accounts and budgets, provision of effective internal audit and financial advice to Council. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.

The Council communicates with its community and stakeholders by means of a periodic publication, "Voice", through its website and through social media and by specific consultation. It undertook a household survey of all the residents and businesses in the District in 2018/19 – which led to the review and adoption of its Community Plan.

4. Review of effectiveness

Newark and Sherwood District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. Business managers are required to provide assurance to the s151 officer that service areas are compliant with the Council's governance arrangements.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution through a dedicated working party comprising, inter alia, all the group leaders, on a regular basis, and has formed a Councillors' Commission to consider any changes resulting from recent legislation and to consider changes to facilitate more effective governance of the Council.

Overview and Scrutiny - During 2019/20 the overview & scrutiny function was undertaken through Committees with overview & scrutiny principles being embedded in the remits of the Policy and Finance Committee and the three functional committees as well as the Audit and Accounts Committee. Councillors' Commission - The Council reviews the Constitution through a dedicated working party, (the Councillor's Commission), which comprises senior councillors across all political groups, including all the group leaders. It meets on a regular basis to consider any changes resulting from recent legislation, and to consider proposals to facilitate more effective governance of the Council.

In October 2019, the Council undertook a governance review facilitated by an external peer team led by the Local Government Association. The review focussed on three broad areas: what was working well; what could be improved; and what should the Council do next. The report from the peer review made recommendations for the Council to explore the opportunity to improve governance further by looking at a future governance system and structures that delivers:

- a greater focus on outcomes for the community;
- clearer political ownership and accountability for policy and decision making, including opportunities to challenge;
- consideration of where and how policy should be developed;
- greater political and managerial oversight of council performance;
- reducing duplication and inefficiencies;
- improving the speed and transparency of decision-making;
- further and ongoing community and stakeholder engagement, building on the success of the Corporate Plan process

The Councillors' Commission was tasked with taking the review forward in December 2019. It was agreed that the next step would be for councillors and officers to visit a small number of councils with differing governance of cabinet/committee arrangements to learn from their experiences. Although these visits were arranged to take place in March and April – these have been put on hold due to the pandemic.

The Monitoring Officer -. Recent changes have been made to the Constitution, specifically the procedures for council/committee meetings and decision making arising from new Government Regulations to enable remotely held meetings due to the social distancing rules because of Covid-19. In addition, the Council has commissioned Assurance Lincolnshire, the Council's internal auditors, to undertake an ethics and culture health check. Assurance Lincolnshire have developed a model to review the ethical culture within a local authority to test out how well its rules, procedures and behaviours around good ethical governance are embedded within the organisation. The model has been developed to get 'under the surface' and examine the principles and standards that underpin the way in which officers and members interact with others to support excellent service delivery. It is anticipated that this work will be completed during the current year. The review is being overseen by the Monitoring Officer and the Audit and Accounts Committee.

Internal Audit - is responsible for reviewing the quality and effectiveness of systems of internal control.

An annual audit plan is approved by the s151 Officer together with the Senior Leadership Team and reported to the Audit and Accounts Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Chief Officer and Business Manager. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The Audit and Accounts Committee receives executive summaries of all internal audit reports and is advised of progress in implementing recommendations. Internal Audit reports are considered by the Council's Senior Leadership Team. The Head of Internal Audit issues an annual opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework. For the 2019/20 financial year, the opinion of the Head of Internal Audit is that the Council is performing adequately across the areas of Financial Control, Governance, Risk and Internal Control. Five reports gave limited assurance (three during 2018/19) relating to:

- Building Control – Client Side – Since 2016, the Council, together with Rushcliffe Borough Council and South Kesteven District Council, have been working collaboratively on the delivery of a Building Control service. This report identified improvements relating to contract and relationship management;
- Community Centres – The Council currently has 4 Community Centres under its ownership. This audit identified improvements relating to structure and performance measures to ensure that the Council understands the value that the Community Centres are adding and the mitigate any further risks;
- ICT Incident Management – This report highlighted improvements relating to ICT incident reporting, handling and lessons learnt in order to efficiently and effectively deal with reported ICT issues.
- Key Controls – Health and Safety – As part of the Council's key control testing an area of weakness was recognised within Health and Safety reporting. The report identified improvements relating to reviewing risk assessments.
- Key Controls – Absence Management – As part of the Council's key control testing an area of weakness was recognised within absence management. The report identified improvements relating to reporting of information and review of the current policies.

Recommendations are being implemented to address the weaknesses identified by Internal Audit.

In addition, a management review was carried out of phase 1 of the Sherwood Forest Arts and Crafts Centre in Edwinstowe, which involved the conversion of a derelict building on Forest Corner. The review identified a number of weaknesses in project management and budgetary control. Management have carried out further follow up reviews and appropriate action is being taken to address the issues and weaknesses identified.

The internal audit function is carried out by Assurance Lincolnshire. During November 2019, a report reviewing the effectiveness of the Internal Audit function was considered by the Audit and Accounts Committee. The results of this review concluded that the Internal Audit function is currently working effectively. Assurance Lincolnshire conforms to the UK Public Sector Internal Audit Standards. An External Quality Assessment was undertaken in September 2016 and preparations have started for the next required assessment in 2021. No areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity was identified.

Risk management policies and procedures are in place with the objective of ensuring that the risks facing the authority in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed.

Additionally to the issues identified in the table below, the current key issue for the Council is COVID-19. The Council is working closely with central government, the health service and the local resilience forum to support businesses and residents across the District as follows:

- Supporting businesses – Rate relief coupled with grants for businesses in the retail, hospitality and leisure sectors have to date helped around 2,200 businesses
- Supporting residents – the Council is making contact with vulnerable residents and tenants and is working with partners to proactively support rough sleepers. Residents who have serious underlying health conditions have been identified and there are processes in place to support this highly vulnerable group

In moving to the recovery phase, the Council has initiated a recovery cell (as part of its Emergency Planning policy) in order to focus initially on community resilience and economic impact, alongside day to day service provision. This group will also consider how lessons can be learned from the response to the pandemic and how opportunities can be explored and impacts be mitigated. The Council plans recognise that recovery is best achieved with multi agency collaboration in accordance with the guidance and responsibilities of the Civil Contingencies Act. The Council is fully engaged in recovery planning and delivery at a local, regional and national level.

Virtual Council meetings are taking place to maintain open and transparent decision making whilst observing social distancing. Further information regarding this can be found on the Council's social media accounts and at www.democracy.newark-sherwooddc.gov.uk

Conclusion

The Council has assessed the governance arrangements in place throughout 2019/20 and whilst it is considered that the current arrangements provide a satisfactory level of assurance, work is continuously underway to ensure that the arrangements remain fit for purpose in an ever changing external environment.

5. Significant governance issues

Issue	Action	Responsible Officer
<p>Re-integration of Housing Management Function</p> <p>During 2018/19 the Council reviewed its arrangements regarding the Housing Management function, culminating in the "in principle" decision to bring the service in-house for direct service provision by the Council, subject</p>	<p>The Council brought back its Housing Service on the 1st February 2020. As part of this, the Council has established a review of tenant engagement. It is a regulatory requirement of housing providers to deliver effective opportunities for tenants to influence the design and delivery of housing services and their homes and to hold their landlord to account. This review will establish the preferred approach to ensure customers (future, present and past) views are used to scrutinise and shape services.</p> <p>A Housing Advisory Group was established by the Homes and Communities Committee and its first meeting was held on 25th February 2020.</p> <p>The role of the Housing Advisory Group is to create an informal forum through which the comments/views of the tenant representatives can be heard on a range of tenant-related matters and then be incorporated into the consideration of these items by the Homes & Communities Committee. The Housing Advisory Group, is effectively a working party of the Committee, and does not have any delegated authority or decision-making powers. It will cease following the implementation of its work and conclusions around the review of tenant involvement and engagement.</p>	<p>Suzanne Shead Director- Housing, Health and Wellbeing</p>
<p>Development Company</p> <p>The Council has approved the formation of a wholly owned development company, Arkwood Developments Limited. The Company's primary objective is to develop market housing for sale or rent. The Company may also bring forward commercial build.</p>	<p>The Company was incorporated in 2018 and robust governance arrangements are in place.</p> <p>The Company's Business Plan and a Business case for its first development site on land at Bowbridge Road have been approved by the Council through its shareholder and Policy and Finance Committees. Equity capital and loan funding has been approved and released to the Company. Progress of the company in meeting the objectives set out in the Shareholders Agreement will be monitored by the Shareholders' Committee, which has delegated powers granted by full Council and by the Policy and Finance Committee.</p>	<p>Karen White Director- Governance and Organisational Development</p>

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements that were identified in our review of effectiveness and as part of our next annual review.

Signed

J. Robinson
Chief Executive
25th November 2020

D. Lloyd
Leader of the Council
25th November 2020

AUDIT & ACCOUNTS COMMITTEE **25 NOVEMBER 2020**

STRATEGIC 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 Strategic Risk Management - General

- 2.1 The lead up to and subsequent onset of the COVID 19 pandemic has affected the ability of many of the council services to perform as they had in previous times. The long-term nature of the global pandemic has placed unprecedented demands on resourcing all council services. It has also required the full focus of the senior leadership team and officers to ensure critical services are maintained.

This emergency response has therefore directly affected the level of resource available across the whole authority, which in turn has dictated "lighter" management of strategic risk in the short term.

3.0 Strategic Risk Performance

- 3.1 Performance of all strategic risks are reported to SLT, via the Transformation and Communications Business Units quarterly performance assurance reporting system. However, it should be noted that this process has also been delayed due to COVID 19 response.

- 3.2 The corporate Risk Management Group was unable to meet for its March meeting, however, it has resumed and continues to meet on a quarterly basis.

Members of this group are provided with an overview of the current status and performance of strategic and operational risks. In addition members of the group raise and discuss new and/or emerging risks.

4.0 Current Strategic Risks

- 4.1 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.

- 4.2 As detailed in paragraph 3.3 a risk workshop, involving members of SLT, is planned. This will consider and agree the council's strategic risks for the forthcoming year. When reviewing strategic 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. pandemic, economic downturn, etc.

- 4.3 The current register is 16 months old and has 12 strategic risks. These are listed in the table below.
- 4.4 Ownership of each risk is assigned to a relevant director. Owners, with the assistance of lead officers and Safety and Risk Management Officer are tasked with managing the risk.

Title	Description
SR101 Financial sustainability – General Fund	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives
SR102 Financial sustainability - HRA	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock.
SR103 Safeguarding	Preventing failures within safeguarding arrangements to ensure protection of vulnerable persons
SR104 Failure to deliver growth infrastructure	Facilitating the provision of local infrastructure to ensure growth within the district to meet agreed plans & corporate priorities
SR105 Contract/supply failure	Managing contracts with key suppliers, including NSDC wholly own companies, to ensure the continued delivery of an effective service and ensure delivery of the council’s priorities and objectives.
SR106 Workforce	Ensuring the council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.
SR107 Loss of community cohesion	The risk of vulnerable communities with NSDC feeling disengaged, excluded or being unable to access available services and opportunities.
SR108 Emergency response	The Council's ability to effectively respond as a category 1 responder to a major emergency and maintain a suitable response without affecting essential service delivery.
SR109 Corporate governance	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements.
SR110 Data management and security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation.
SR111 Arkwood Development	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement.
SR112 Brexit	Effects of BREXIT on the council’s ability to deliver services and to the sustainability of its communities.

- 4.5 Strategic risks SR104, SR108, SR110 and SR112 are currently identified as red risks. Whilst every reasonable effort is made to reduce the risk to a level to ensure compliance with the corporate risk appetite, it should be noted that the very nature of strategic risks are complex and influenced by many outside factors/controls. Some actions can be very long term and in other cases the ability to reduce the risk further may not be in the control of the council.

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

5.0 Strategic Risk Review 20/21

5.1 After the initial onset of COVID 19 all strategic risks were reviewed and consideration was given to identifying those that were the most significant. Therefore, subsequently the initial focus was on these strategic risks for a period of time. As resources became available remaining strategic risks have slowly been reintroduced within the corporate review process.

5.2 Normally the Council's strategic risk register is reviewed annually each summer via a senior leadership strategic risk workshop. However, due to the corporate focus on supporting the COVID 19 response, this review was not possible and was postponed. It was also felt, by the Senior Leadership team (SLT), that delaying this review may give us a better insight into the possible effects COVID 19 pandemic may have both globally in terms of the economy and also locally within our communities and hence shape future service provision.

5.3 However, it is considered appropriate that a corporate review is carried out and a strategic risk workshop has been scheduled for 25th November 2020. The following shall be undertaken during this workshop:

- Full review of existing strategic risk register to decide if all current strategic risks remain applicable, descriptions are fit for purpose and owners are correct.
- Horizon scanning to identify new and emerging risks.
- Review to ensure the risk register aligns with the agreed Community Plan.
- Integration of any relevant strategic housing risks inherited from the bringing in house of the housing function.
- Setting of target risk scores for all risk to be retained or new ones.
- Identifying and agreeing description and owner(s) of any new risks

5.4 Directly following this workshop a new strategic register will be formulated and shared with SLT for agreement.

5.5 The purpose of the above process is to identify and evaluate significant strategic risk. However, this alone does not control or mitigate the risk to a tolerable level. Therefore, once agreed by SLT new action plans will be developed. This shall be reviewed at least quarterly and any failings noted during review shall be reported to SLT.

5.6 An annual strategic risk workshop was last held with SLT in July 2019. During this workshop the following actions were undertaken:

- Annual review of the strategic risk register
- Full overview of the last audit report actions
- Evaluation of the risk review process
- Evaluation and determination regarding management of project risks
- Evaluation and determination of corporate risk maturity and appetite

6.0 Proposals

6.1 It is proposed that once agreed by SLT the new strategic risk register will be provided to this committee for their consideration.

7.0 Equalities Implications

7.1 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.

8.0 Financial Implications (FIN20-21/5040)

8.1 The financial implications are considered when the Council's corporate and service risks are identified, analysed, scored, managed and monitored.

9.0 RECOMMENDATION

Members of the Committee are asked to note the arrangements for reviewing the strategic risks and the proposal for bringing the new risk register back to this committee.

Reason for Recommendations

To update the Committee on the Council's update on the status of the Council's strategic risk register.

Background Papers

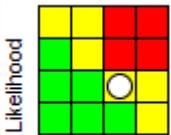
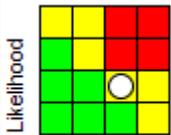
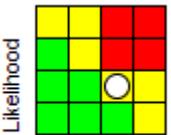
Nil.

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

Matt Finch
Director – Communities and Environment

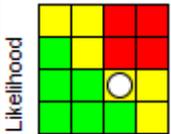
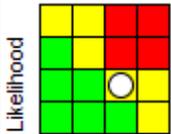
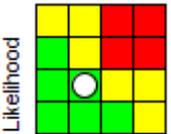
Appendix 1

Current Strategic Risk Register

Code & Title	SR101 Financial sustainability – General Fund		Owner	Kohli, Sanjiv (SLT)	
Description	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives		Assigned To	Wilson, Nick (BM – FIN)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			13-Aug-2020	31-Mar-2020	Controlled

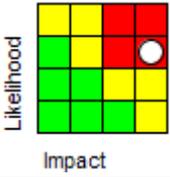
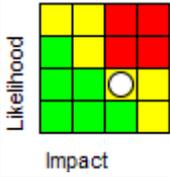
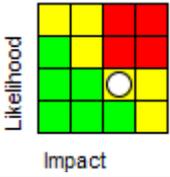
Controls/Actions In Place	<p>Quarterly Capital monitoring meetings</p> <p>Investments approved in line with the annually agreed Treasury Management Strategy</p> <p>Annual refresh of Medium Term Financial Plan including management of reserves</p> <p>Council approved Capital programme</p> <p>Financial implications added to Committee reports by Financial Services</p> <p>Financial strategies and budget reviewed through Policy and Finance Committee annually</p> <p>Use of external Medium Term Financial Plan tool which assists with forecasting future Business Rates income</p> <p>Assigned project manager for each major project the Council is embarking on</p> <p>Corporate Projects Team established to identify business opportunities in service areas</p> <p>Director/Business Unit Manager quarterly meetings reviewing Directorate financial position</p> <p>Approved Commercial strategy to support objectives set out in the MTFP</p> <p>Approved Investment Plan to support the objectives set out in the Commercial Strategy</p> <p>Nottinghamshire Business Rates Pool mitigating large impacts of reductions in Business Rates. This is kept under review by Nottinghamshire S151 officers</p> <p>Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee</p> <p>Annual Financial Regulations training in place</p> <p>Government covering 72% of income lost due to COVID19</p> <p>Allocation of £1.483m in additional funding from the £3.3bn Central Government Fund</p> <p>Working with SDCT, DC and LGA to acquire additional income support</p> <p>Government returns completed identifying direct cost of COVID 19 and losses incurred</p> <p>Sharing of information/comparison with LRF COVID finance Cell. Also joint lobbying with the LRF cell for leisure centre income losses to be covered.</p> <p>Monitoring and forecasting of COVID related losses.</p> <p>Weekly COVID 19 Recovery Group updates to identify additional costs and allocation of costs</p>
Vulnerability	<p>Financial</p> <p>Meeting corporate objectives</p> <p>Service delivery</p> <p>Reputation</p>

	Governance Compliance
Trigger/Event	<p>Unforeseen rise in interest rates over forecasted levels</p> <p>Changes in national policy eg. fair funding review, change to government political parties</p> <p>Banking crisis</p> <p>Over reliance and poor decision making on investments</p> <p>Member priorities diverging from corporate priorities</p> <p>Increase CPI/RPI figures</p> <p>Failure of subsidiaries</p> <p>Major contract failure</p> <p>Failure of HRA</p> <p>Reduction in Business Rates 2.</p> <p>Poor decision making and business planning</p> <p>Budgeted income levels not meeting target</p> <p>Impact on promised funding not as expected</p> <p>Change in significant income/funding</p> <p>Failure in compliance/ governance</p> <p>Fraud</p> <p>Global Pandemic</p>
Impact	<p>Inability to deliver services</p> <p>Inability to meet corporate priorities</p> <p>Inability to meet legislative requirements</p> <p>External auditors review</p> <p>Government taskforce</p> <p>Negative media/reputation</p> <p>Loss of ability to make local decisions</p> <p>Division between members and officers</p> <p>Greater division between political parties</p> <p>Staff morale and loss of key staff</p> <p>Fines/ enforcement</p> <p>S151 officer issues S114 notice</p> <p>GF fails due to third party failure, i.e. HRA/subsidiaries</p> <p>Impact on residents and communities</p>

Code & Title	SR102 Financial sustainability – HRA		Owner	Kohli, Sanjiv (SLT)	
Description	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock.		Assigned To	Wilson, Nick (BM – FIN)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
 Impact	 Impact	 Impact	13-Aug-2020	31-Mar-2020	Control Pending

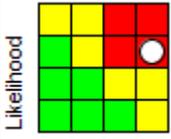
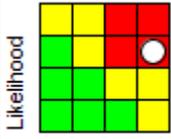
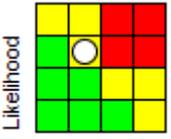
Controls/Actions In Place	<p>Controls copied from General Fund Financial Sustainability Risk – NW to review</p> <p>Quarterly Capital monitoring meetings</p> <p>Investments approved in line with the annually agreed Treasury Management Strategy</p> <p>Annual refresh of MTFP including management of reserves</p> <p>Council approved Capital programme</p> <p>Financial implications added to Committee reports by Financial Services</p> <p>Financial strategies and budget reviewed through Policy and Finance Committee annually</p> <p>Use of external MTFP tool which assists with forecasting future Business Rates income</p> <p>Assigned project manager for each major project the Council is embarking on</p> <p>Corporate Projects Team established to identify business opportunities in service areas</p> <p>Director/Business Unit Manager quarterly meetings reviewing Directorate financial position</p> <p>Approved Commercial strategy to support objectives set out in the MTFP</p> <p>Approved Investment Plan to support the objectives set out in the Commercial Strategy</p> <p>Nottinghamshire Business Rates Pool mitigating large impacts of reductions in Business Rates. This is kept under review by Nottinghamshire S151 officers</p> <p>Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee</p> <p>Annual Financial Regulations training in place</p>
Vulnerability	<p>Financial</p> <p>Meeting corporate objectives</p> <p>Service delivery</p> <p>Reputation</p> <p>Governance</p> <p>Regulation and compliance</p>
Trigger/Event	<p>Change in national policy</p> <p>Increase in interest rates</p> <p>Increased rent arrears</p> <p>Increased voids</p> <p>Suitability of stock meeting future standards</p> <p>Increase or change in standards required</p> <p>Current stock does not meeting housing needs</p> <p>Workforce issues</p> <p>Housing management review and implementation</p> <p>Failing to ensure compliance with relevant legislation causing regulatory bodies to intervene</p> <p>Noncompliance with rent standard</p>

	<p>Meeting tenant priorities Ineffective strategic decision making and business planning Key HRA major projects failure Ineffective management of housing maintenance function Loss of critical income streams Fraud Failure to manage critical income streams/ invest Global Pandemic Supplier/contractor cost increases due to COVID 19 demand/supply issues</p>
<p>Impact</p>	<p>Inability to maintain stock to acceptable level including development of future stock Budget unable to address changes in national policy Reprioritisation of service delivery including resource delivery Cash reserves used to right off rent arrears and voids Substandard housing stock Loss of morale and high staff turnover Fines, notices, court cases and legal fees Moratorium of services Dissatisfaction with service delivery Greater scrutiny on service slowing decision making Poor local housing policy Project failure Contract disputes S151 officer issues S114 notice Failure to service debt Legislative requirements not met Impact on residents and tenants</p>

Code & Title	SR103 Safeguarding		Owner	Finch, Matthew (SLT)	
Description	Preventing failures within safeguarding arrangements to ensure protection of vulnerable persons		Assigned To	Batty, Alan (BM – PPR)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			27-Jul-2020	31-Mar-2020	Controlled

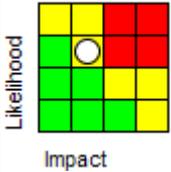
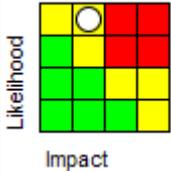
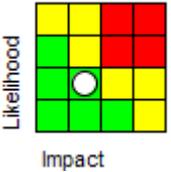
Controls/Actions In Place	<p><u>LEAD OFFICER: Director of Communities & Environment – M Finch</u></p> <p>Countywide safeguarding policy adopted – and reviewed / updated March 2018 Disciplinary policy Annual Review and Update of the Council’s Safeguarding Policy Key Staff already undertaken E-Learning BMs and safeguarding specific training PREVENT introduction to safeguarding training rolled out to all staff Staff Induction training organised Member training Officer represented on the Notts Safeguarding Children’s Board and Notts Safeguarding Adults Local procedures in place Corporate safeguarding group meet quarterly Safeguarding Support Officers in place Shared safeguarding email Annual completion of Section 11 return Annual review and report to SLT DBS notification process Internal Audit Notts wide network for referring information relating to PREVENT Participating in serious case reviews as required Learning from serious case reviews Annual assurance report to committee with exception reporting if require Undertake domestic homicide reviews as directed by CSP</p> <p>RECENTLY COMPLETED ACTIONS FOR REVIEW</p> <p>Develop and review current action plan from corporate group objectives plan Elected member training as part of the induction process following elections Update report to SLT on Child Safeguarding arrangements at county level</p>
Vulnerability	<p>Compliance /Legislation Reputation Financial Resourcing Partnerships Governance Vulnerable persons</p>

Trigger/Event	<p>Reduction of Managers means that relevant officers may not be available</p> <p>Lack of Training</p> <p>Turnover of staff resulting in loss of continuity</p> <p>Failure to identify a serious case</p> <p>Resurrection of a historic case</p> <p>Lack of resources to respond to the safeguarding process (identification through to investigation and report)</p> <p>Inappropriate response to a case</p> <p>Lack of corporate awareness and culture (members and officers)</p> <p>lack of communication / Partnership failure</p> <p>Non adherence to corporate policy, not escalating and not reporting</p>
Impact	<p>Foreseeable and avoidable harm is suffered by a vulnerable person</p> <p>Serious case review by Nottinghamshire safeguarding board</p> <p>Litigation (criminal and civil)</p> <p>Disruption caused by targeting by group/individual</p> <p>Possible effect on future insurance costs depending on liability and claims history</p> <p>Personal Liability</p> <p>Staff Morale</p> <p>Radicalisation</p> <p>Reputational damage with community e.g. negative media</p> <p>Resourcing any additional works</p> <p>Child exploitation, domestic abuse, radicalisation, modern day slavery</p> <p>Organisational abuse (e.g. older people in care homes)</p>

Code & Title	SR104 Failure to deliver growth infrastructure		Owner	Lamb, Matt (SLT)	
Description	Facilitating the provision of local infrastructure to ensure growth within the district to meet agreed plans & corporate priorities		Assigned To	Business Manager (BM – HSR); Hughes, Lisa (BM – PDV); Norton, Matthew (BM – PPO)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	20-Jul-2020		Control Pending

Controls/Actions In Place	<p>Community Plan</p> <p>Infrastructure delivery plan</p> <p>CIL charging schedule and infrastructure list</p> <p>Development plan (Amended Core Strategy and Allocations and Development Management DPD)</p> <p>Local Development Framework Task Group</p> <p>Economic Development Committee and Full Council</p> <p>Planning Committee</p> <p>High performing planning service</p> <p>Active Lobbying</p> <p>Engagement with Developers, Stakeholders & Partners</p> <p>Economic Growth Strategy</p>
Vulnerability	<p>Inability to deliver infrastructure to support growth</p> <p>Political</p> <p>Reputation</p> <p>Financial</p> <p>Partners and stakeholders</p>
Trigger/Event	<p>Government change in policy</p> <p>Government funding withdrawn</p> <p>Funding reduced</p> <p>Funding bid failure</p> <p>Housing development stalls</p> <p>Change in leadership</p> <p>Poor strategic decision making</p> <p>Change in partnership priorities</p> <p>Withdrawal of Partners</p> <p>Failure of other related major infrastructure projects</p>
Impact	<p>Infrastructure not delivered</p> <p>Inappropriate infrastructure delivered</p> <p>Growth within district affected</p> <p>Inadequate service provision</p> <p>Government sanctions for inability to deliver housing growth</p> <p>Housing development stalls</p> <p>Social Inequality</p>

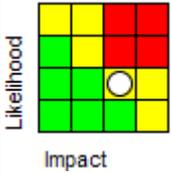
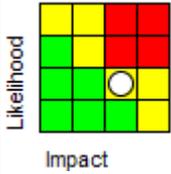
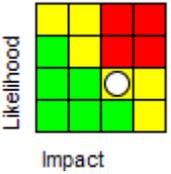
	Large Employer relocating outside district Inward investment stalls
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Code & Title	SR105 Contract/supply failure		Owner	Johnson, Deb (BM – TRC); Cook, Natalie (BM_TRC)	
Description	Managing contracts with key suppliers, including NSDC wholly own companies, to ensure the continued delivery of an effective service and ensure delivery of the council's priorities and objectives.		Assigned To	Wilson, Nick (BM – FIN); Business Manager (BM – HSR); Batty, Alan (BM – PPR)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			28-Sep-2020	31-Mar-2020	Control Pending

Controls/Actions In Place	<p>CONTRACT INCEPTION & MANAGEMENT</p> <ul style="list-style-type: none"> Contract register developed using Pro-Contract and actively managed by OD team (not fully populated or embedded yet see action) Contact renewal early warning provided by OD at quarterly meetings Procurement advice provided through Welland procurement Call off contract arrangements/template devised SLA template devised for consistency SLAs all reviewed SLA register devised and actively managed by OD Comprehensive audit undertaken of contracts <p>WHOLLY OWNED COMPANIES</p> <ul style="list-style-type: none"> Management agreements regularly reviewed Contract managers named for each Regular contract management meetings in place Active partnership approach embedded <p>TRAINING</p> <ul style="list-style-type: none"> Session delivered to BMs on contract management Session delivered to members on contract management <p>RECENTLY COMPLETED ACTIONS FOR REVIEW</p> <p>Legal advice on developing contract templates</p>
Vulnerability	<p>Service delivery</p> <p>Financial</p> <p>Compliance (Regulatory, Health & Safety, Legislative)</p> <p>Governance</p> <p>Resources</p> <p>Reputational</p>

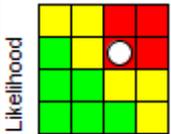
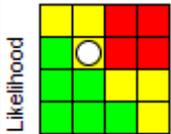
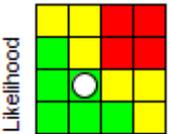
Trigger/Event	<p>CONTRACT INCEPTION</p> <ul style="list-style-type: none"> . Lack of understanding of requirements and different provision mechanisms available . Lack of commercial approach and knowledge . Inadequate/ambiguous specification . Inadequate/ambiguous control/performance measures . Inadequate/ambiguous exit arrangements . Failure to engage relevant specialists in contract design . Contract is not signed and saved in corporate register . Limited market supply . Over reliance on single supplier(s) . Lack of competence in procurement . Lack of resource dedicated to procurement . Lack of preplanning for contracts . Lack of appropriate exit strategies <p>CONTRACT MANAGEMENT</p> <ul style="list-style-type: none"> . No assigned contract manager . Contract manager is not appropriately trained/skilled . Contract manager resource is insufficient . Ineffective performance monitoring and reviews . Evergreen contracts in place . Change control/variations are not appropriately managed . Lack of ongoing challenge throughout the contract . Loss of key personnel/ key resilience . Relationship breakdown . Contractor fails to deliver/ isn't able to deliver (bankruptcy) <p>WHOLLY OWNED COMPANIES</p> <ul style="list-style-type: none"> . Management agreement not robust . Governance and oversight not appropriate . Inadequate/ambiguous governance arrangement . Contract management resource is insufficient/ unsuitable . Inadequate/ambiguous control/performance measures . Relationship breakdown and – objectives do not align . Lack of ongoing challenge throughout the contract . Board directors do not perform within required parameters . Lack of appropriate review of purpose of contract <p>OTHER</p> <ul style="list-style-type: none"> . Financial management not embedded as part of contract management process . Impact of Brexit (link to STRAT SR012 Brexit) . Business continuity/Emergency incident . Contracts not entered on contract register . Provision commences before contract is in place . Lack of appropriate overview of contract management . Pandemic
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	<ul style="list-style-type: none"> . Link to SR106 – Workforce
Impact	<p>FINANCIAL IMPACT</p> <ul style="list-style-type: none"> . Additional costs to council (hidden costs, increased costs) . Best value not achieved . Fines <p>SERVICE DELIVERY IMPACT</p> <ul style="list-style-type: none"> . Provision is not timely/delayed . Poor/declining quality of service/provision . Increased unplanned demand . Inability to scale up/scale down provision to meet demand . Service failure . Not aligned to corporate objectives <p>LEGISLATIVE IMPACT</p> <ul style="list-style-type: none"> . Data loss/GDPR compromised . Council's legislative obligations not met . Providers are not able to be challenged as contract not in place when service is commenced <p>REPUTATIONAL IMPACT</p> <ul style="list-style-type: none"> . Customer/service user complaints increase . Member complaints increase . Negative media coverage <p>RESOURCE</p> <ul style="list-style-type: none"> . Contract manager resource requirement is increased (leading to impact on other duties) . Other officer resource required to manage impacts (leading to impact on other duties)

Code & Title	SR106 Workforce		Owner	White, Karen (SLT)	
Description	Ensuring the council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.		Assigned To	Glass, Caroline (BM – HR & Training)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			18-Dec-2019	31-Mar-2020	Controlled

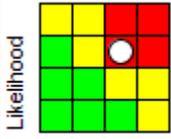
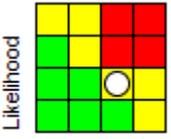
Controls/Actions In Place	<p>Business Managers have individual development plans to help them manage change and risk.</p> <p>Senior HR Officers provide support to Business Managers to manage staffing issues, e.g. sickness absence, capability etc.</p> <p>Effective communication arrangements are in place.</p> <p>Rolling programme of review for HR policies to ensure they remain robust and fit for purpose.</p> <p>Selima system provides Business Managers with ownership / control over staff sickness/Holiday approval etc. and provides corporate overview HR working closely with Business Managers to support organisational change.</p> <p>Partnership approach with recognised trade unions to support organisational change.</p> <p>Counselling/therapy and welfare support services in place for staff.</p> <p>Visible leadership.</p> <p>Annual employee planning process.</p> <p>Training and development programme to support ongoing development of skills and competencies and BM and other staff change management such as recruitment.</p> <p>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.</p> <p>Incentivised terms and conditions, e.g. agile and flexible working</p> <p>Use of Apprenticeships to support service areas and support succession management.</p> <p>Approved corporate priorities within the Community Plan 2019-23</p> <p>Annual financial planning Project team and plan in place for housing implementation</p>
Vulnerability	<p>Service delivery and resources</p> <p>Financial</p> <p>Compliance</p> <p>Governance</p> <p>Reputational</p> <p>Competence and Capability</p> <p>Leadership</p>
Trigger/Event	<p>Key staff leaving e.g. with specific qualifications and/or experience and membership of professional body</p> <p>Number of staff leaving from one area/high turnover</p> <p>Inability to recruitment to key posts</p> <p>Lack of development opportunity</p>

	<p>Lack of team cohesion Lack of alignment with corporate values/behaviours/culture Pressure of work Demand in a specific skill set Uncompetitive in the job market place Poor industrial relations Working environment Key member of staff goes on long term sick Organisational restructure</p>
<p>Impact</p>	<p>Service delivery impact Reputational impact through poor service Reputation as an employer resulting in inability to recruit staff Loss of capacity/under resourced Loss of expertise and corporate memory High recruitment costs Additional time required to support introduction of new staff and development thereof Additional training costs Impact on morale, culture and team performance Increased levels of staff absence Loss of opportunity through loss of networks Inability to operate in accordance with statutory requirements Increase in accidents Impact of potential civil claim (e.g. employment tribunal. insurance) or criminal actions Increased demand on corporate services (e.g. HR)</p>

Code & Title	SR107 Loss of community cohesion		Owner	Finch, Matthew (SLT)	
Description	The risk of vulnerable communities with NSDC feeling disengaged, excluded or being unable to access available services and opportunities.		Assigned To	Baker, Jill (BM – CSC); Monger, Leanne (BM – HHC); Batty, Alan (BM – PPR)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			09-Dec-2019	31-Mar-2020	Control Pending

Controls/Actions In Place	<p>Diversionary activities</p> <p>Days of Action</p> <p>Development of community database</p> <p>Residents surveys</p> <p>Diverting resources into vulnerable communities</p> <p>Supporting national initiatives, e.g. Hate Crime Awareness Week</p> <p>Community Engagement Strategy</p> <p>Actions within the Community Plan working around vulnerable communities</p> <p>Place based community relations.</p> <p>Cultural orientation training</p> <p>LMAPS (local multi agency partnership)</p> <p>Community Safety Partnership Work</p> <p>Severe weather and new winter shelter.</p> <p>Tolney Lane working group.</p>
Vulnerability	<p>Disengagement</p> <p>Partners and stakeholders</p> <p>Reputation</p> <p>Community leadership</p> <p>Vulnerable persons</p>
Trigger/Event	<p>Lack of understanding of communities' needs and consequent actions</p> <p>Not meeting expectations of communities</p> <p>New unforeseen incident or situation</p> <p>Poor judgement in making decisions</p> <p>Loss of key partner in delivering key service</p> <p>Change in partners funding/delivery priorities</p> <p>Unilateral decisions by partners</p> <p>National decision or event</p> <p>Internal community issue</p> <p>Lack of engagement with key community leaders outside of democratically elected</p> <p>Non representative community leader</p> <p>Withdrawal or reduction of services</p>
Impact	<p>Diversion of resources to address problems</p> <p>Isolation of vulnerable groups</p> <p>Loss of confidence in the council and other agencies</p>

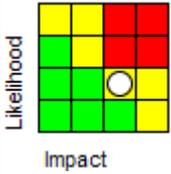
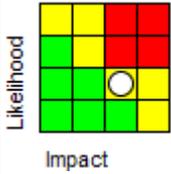
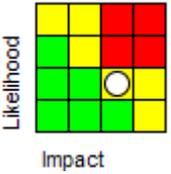
	Reputation Engaging with the wrong people Physical unrest Civil disobedience Divided communities Economic loss Hate Crime
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Code & Title	SR108 Emergency response		Owner	Finch, Matthew (SLT)	
Description	The Council's ability to effectively respond as a category 1 responder to a major emergency and maintain a suitable response without affecting essential service delivery.		Assigned To	Richardson, Dave (BM – ICT); Batty, Alan (BM – PPR)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	18-Dec-2019		Control Pending

Controls/Actions In Place	<p>LEAD OFFICER – Matthew Finch</p> <p><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.</p> <p><u>Financial</u> 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.</p> <p><u>Equipment/ Resources</u> 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</p>
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	<p>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</p> <p><u>Partners/Public</u> 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.</p> <p>Develop emergency response management tool i.e. Meritech (AB) Deliver One off workshop for BMs on BCP Implement the training of BCP & BCM and general training for all staff – Production of induction training package</p> <p>RECENTLY COMPLETED ACTIONS FOR REVIEW Identify users of the emergency response management tool (Meritech) and delivery. Meritech emergency planning module system training and testing Provide initial report to SLT re: Business Impact Analysis carried out Report to SLT re updated emergency plan to be SLT to decide how to deal with allowing JDs to be amended (including their own) to include an explicit responsibility for BC Promotion to LRF of 20 ways in 30 days in the Notts area Testing to take place of the Control Room at Castle House</p>
Vulnerability	<p>Resourcing Reputation Expectations Partners Financial Suitability of response Service delivery</p>
Trigger/Event	<p>Extreme weather event of greater frequency and severity. Unpredictable district/regional/national emergency events. Council headquarters or key facilities are damaged. 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) Insufficient time given to BMs/SLT to deliver appropriately considered BCPs</p>
Impact	<p>Drain on services and resources to provide an immediate and appropriate response. Managing and resourcing the longer term recovery process 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.</p>

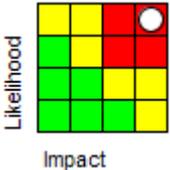
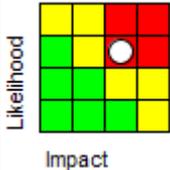
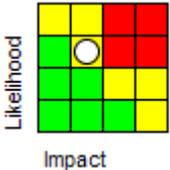
	<p>Reputational damage due to perceived failure to respond to emergency or maintain services</p> <p>Reputational damage to the District and attraction to place to live/work</p> <p>Failure to maintain critical services day to day</p> <p>Manage financial requirements of the emergency event</p> <p>Financial issues of being unable to claim back funding spent on assisting communities</p> <p>Financial implication of up front costs required during an emergency.</p> <p>Less likely to receive long term support to obtain government flood grants compared with high density areas due to cost benefit ratio.</p> <p>Effect on communities (commercial or domestic)</p> <p>Loss of key/ critical systems</p> <p>Inability to support critical projects and projects at a critical stage</p>
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Code & Title	SR109 Corporate governance		Owner	White, Karen (SLT)	
Description	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements.		Assigned To	Hill, Nigel (BM – EDS); Wilson, Nick (BM – FIN)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			27-Dec-2019		Controlled

Controls/Actions In Place	<p><u>LEAD OFFICER – Karen White</u></p> <p>Code of corporate governance created, maintained and monitored in accordance with CIPFA guidance.</p> <ul style="list-style-type: none"> . Corporate Governance self-assessment against the code of Corporate Governance undertaken periodically. . Periodic review of governance by 3 statutory officers. <p>Annual review of Constitution which includes fit for purpose and up to date:</p> <ul style="list-style-type: none"> . 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 <p>Annual governance statement reviewed annually and reported to Audit and Accounts Committee. Annual Governance Statement goes to Feb meeting of Committee Creation of annual combined assurance report in conjunction with SLT and BMs.</p> <p>Internal Audit work including risk based Audit Plan. Effective use of External Auditor. Scrutiny by Audit and Accounts Committee</p> <p>Staff and member training in place</p> <ul style="list-style-type: none"> . Training on governance issues including anti-fraud and financial regulations. . Counter fraud training delivered. . Member induction at the start of each new Council cycle. <p>Complaints:</p> <ul style="list-style-type: none"> . Localised standards framework and effective arrangements for dealing with complaints overseen by Policy and Finance Committee.
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	<p>. Internal complaints procedure.</p> <p>Fraud</p> <ul style="list-style-type: none"> . 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. <p>Appropriate insurance cover including Fidelity Guarantee.</p> <p>Oversight of Active4Today, Newark and Sherwood Homes, Arkwood and East Midlands Building Control.</p> <ul style="list-style-type: none"> . Appropriate monitoring of performance of the third party or alternative service delivery methods. <p>HR policies in place Recruitment process controls, e.g. References, Immigration, DBS.</p> <p>Horizon scanning at Business Manager briefings and effective communication between SLT and business managers.</p> <p>Measures in place to ensure IR35 compliance Schedules review of Corporate Governance (Q4 19/20)</p> <p>Governance review ongoing with support from LGA</p>
Vulnerability	<p>Service delivery</p> <p>Governance</p> <p>Fraud</p> <p>Poor decision making/leadership</p> <p>Reputation</p> <p>Financial</p> <p>Legal compliance</p> <p>Partners/stakeholders</p>
Trigger/Event	<p>Failure to communicate, define, review and uphold governance standards policies to ensure fitness for purpose.</p> <p>Failure of staff and councillors to understand their governance roles and responsibilities.</p> <p>Failure to observe good governance.</p> <p>Failure to adequately manage risk or monitor performance.</p> <p>Failure in Policy adherence (All policies).</p> <p>Malicious event eg. Fraud, money laundering, etc.</p> <p>Reduction in capacity and loss of key personnel and resources</p> <p>Failure to adequately oversee governance standards of partnerships and other entities that the Council is involved in.</p> <p>Failure of governance in partnership organisations</p>
Impact	<p>Financial resource loss.</p> <p>Service delivery issues.</p> <p>Criminal or civil liability.</p> <p>Government or peer intervention.</p> <p>Reputational risk to the Council.</p>

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

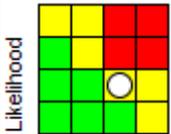
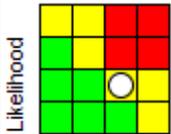
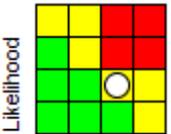
Code & Title	SR110 Data management and security		Owner	Kohli, Sanjiv (SLT)	
Description	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation		Assigned To	Baker, Jill (BM – CSC); Wilson, Nick (BM – FIN); Richardson, Dave (BM – ICT)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			24-Aug-2020	31-Mar-2020	Control Pending

Controls/Actions In Place	<p><u>LEAD OFFICER – Sanjiv Kohli</u></p> <p><u>Training/ Guidance/ Compliance/ Agreements</u></p> <p>Data protection training including a section on information security and targeted training ongoing for staff located elsewhere and forms part of the induction process.</p> <p>Guidance and training available for elected members. 3 GDPR sessions provided for newly elected members.</p> <p>Guidance on security breach procedures for Business Managers as Information Asset Owners.</p> <p>Ongoing training for all staff taking payments in line with PCI–DSS requirements.</p> <p>Relevant training for ICT staff.</p> <p>Weekly review of ICO guidance.</p> <p>Compliance with the governments security arrangements.</p> <p>PSN compliant data & internet connections implemented.</p> <p>Compliance with new Cabinet Office email standards achieved.</p> <p>Information governance check on furniture that is being disposed of.</p> <p>Information E Training completed by all staff.</p> <p>Cyber Security now standing agenda item on monthly business unit management meetings.</p> <p>Annual review of Information Asset Register.</p> <p>Annual mandatory GDPR and cyber/phising online training for all staff and councillors.</p> <p>Governance arrangements established through CIGG with monthly review.</p> <p><u>ICT/Equipment</u></p> <p>External Audit on ICT security annually.</p> <p>Encryption for mobile devices.</p> <p>VASCO tokens and Google Authenticator.</p> <p>Quarterly ICT security checks internally.</p> <p>Penetration test annually for external company – monthly scans of servers for weaknesses, monthly server updates and monthly scans of Microsoft Office and Windows.</p> <p>Perimeter software – eg. mailmarshall & webmarshall.</p> <p>Hardening test on new virtual servers.</p> <p>Documents scanned reducing the need for paper.</p> <p>Secure server room.</p> <p>East Midlands WARP membership – alerting networking facility regarding any breaches.</p>
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	<p>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. DMark, DKim SPF and TLS secure email authentication software. 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) Data security part of consideration as part of future strategic projects. 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.</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. Actions arising from report to SLT on third party users implemented.</p> <p>RECENTLY COMPLETED ACTIONS FOR REVIEW Developing Comms strategy to deal with a data breach</p>
Vulnerability	<p>Loss of vulnerable, personal, sensitive valuable data Legal compliance Reputation Financial Partners/stakeholders Disruption of service from a cyber attack</p>
Trigger/Event	<p>Personal, confidential or corporately sensitive/business critical information disclosed unintentionally or through error of judgement when responding to requests for information, data breach – intentional (malicious) or unintentional. Theft or loss of equipment/papers/data belonging to the council, partners or third party companies. Cyber attack: (either targeted such as denial of service or unintentional access to link on another</p>

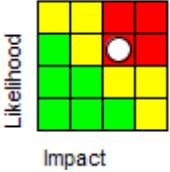
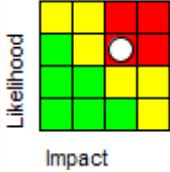
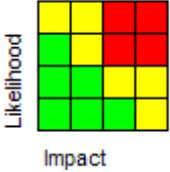
	<p>website.</p> <p>Agile Working ie. mobile/remote/home working/home printing/disposal of printed data/ /Outreach posts.</p> <p>Reducing resources with less capacity for processing data.</p> <p>Collaborative working, sharing, outsourcing and partnership working (including external printing and hybrid mail)/involvement in other peoples' data Use of BYOD (Bring your own device).</p> <p>Government integration agenda e.g. Increased working between public bodies Use of suppliers/third parties, etc.</p> <p>Decommissioning of property.</p> <p>Partnership working and sharing new service locations/data sharing issues.</p> <p>Partner's/contractor's/host's poor data management and information security leading to data breach/loss.</p> <p>Devolution/change in service delivery model.</p> <p>Loss of key resources.</p> <p>Third party access to IT systems.</p> <p>New and inexperienced staff/elected members with access to data.</p> <p>Termination of PSN/GCSX standards by the Cabinet Office limiting options for securely sharing with some Public Sector organisations.</p> <p>Failure to comply with relevant standards and legislation including PCI-DSS/Cyber Essentials/NCSC best practice/PSN.</p> <p>Unsupported software/unforseen loss of support</p> <p>Housing management transfer</p> <p>Adoption of unsupported/dated systems from third parties</p>
Impact	<p>Individual loss/damage to an individual where the Council inappropriately released their personal data eg. civil claims.</p> <p>Damage to reputation of the Council/trust by the public.</p> <p>Breach of Access to Information legislation bringing about financial/legal damage – imposed on the Council by the Information Commissioner and other Statutory Bodies.</p> <p>Financial/ resource impact of Information Commissioner investigation.</p> <p>Disciplinary action taken against a member of staff and elected members if a breach is found to be deliberate/malicious.</p> <p>Operational and resource issues eg. service interruption – where focus has to be taken away from service delivery to dealing with the breach.</p> <p>Individual loss/damage to an individual where the Council inappropriately released their personal data eg. civil claims.</p> <p>Drain on resources to process and enable conformity in legislation.</p> <p>Greater demand on existing resource</p> <p>Impact on Agile working – lack of ability to work remotely and available physical resource</p> <p>Cyber attack leading to system downtime/damage/loss of data (Ransom Ware) and financial loss/ resource drain</p> <p>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.</p> <p>Negative media coverage</p> <p>Less control over data as service delivery models become more complex</p> <p>Loss of partner data where the council is the data processor – subsequent impact on partner's reputation.</p> <p>Loss of confidence with the Council</p> <p>Loss of confidence with partners and stakeholders</p>

	Withdrawal of service from partners and stakeholder Increased demand on existing services
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Code & Title	SR111 Arkwood Development		Owner	White, Karen (SLT)	
Description	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement.		Assigned To	Wilson, Nick (BM – FIN)	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
 Impact	 Impact	 Impact	08-Oct-2019		Controlled

Controls/Actions In Place	<p>LEAD OFFICER – Karen. Support: N Cook</p> <p>Shareholder Committee established and membership agreed Shareholder meetings scheduled Shareholder Committee Members training session completed on 17/1/18 Company's Articles and shareholder agreement in place Shareholder Committee approve business plan for company and business case for each development site Monthly officer contract meetings between Arkwood and council Internal Audit Report giving substantial assurance Inclusion of risk register by company with business cases</p> <p>RECENTLY COMPLETED ACTIONS FOR REVIEW SLAs for HR, Finance, ICT, Information Governance and Administration to be agreed between company and council by end of financial year 19/20.</p>
Vulnerability	<p>Financial Reputation Service Delivery Conflict of interest</p>
Trigger/Event	<p><u>Financial</u> Loan repayments from the company are not made Company failure to deliver approved Business Plan Company failure to pay monies to the Council e.g. land transactions costs, SLA costs Company failure to pay monies in a timely way Company failure to manage cash flow</p> <p><u>Reputational</u> Poor leadership Company insolvency Poor quality development leading to customer dissatisfaction Secretary of State call in planning decisions made by council on company developments</p> <p><u>Compliance Issues</u> 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> Failure to adhere to business plan Lack of awareness of company purpose Company failure to secure planning consent on developments</p> <p><u>Market & External Factors</u> Brexit – market volatility Downturn in economy Failure to understand and develop to meet market needs Changes in local and national policy & legislation e.g. restraints in legislation from Council Lack of skills to deliver developments to quality and on time (e.g. skills shortage) Market and external construction prices leading to increased cost of build</p> <p><u>Resource Demand</u> Insufficient resourcing (e.g. internal capacity to deliver) Over resourcing Incorrect or over demanding SLA's 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> Lack of communication between Company and Council Lack of regular updates/ assurance from company Conflict of interest – failure of the council to demonstrate the company's independence</p>
Impact	<p><u>Financial</u> Return on investment to the council not realised 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>

Code & Title	SR112 Brexit		Owner	Finch, Matthew (SLT)	
Description	Effects of BREXIT on the council's ability to deliver services and to the sustainability of its communities.		Assigned To	Churchill, Robert (BM – AMP); Baker, Jill (BM – CSC); Wilson, Nick (BM – FIN); Monger, Leanne (BM – HHC); Business Manager (BM – HSR); Richardson, Dave (BM – ICT); Norton, Matthew (BM – PPO); Batty, Alan (BM – PPR); Ward, Phil (BM – R&B); Marshall, Kate – Admin; Piper, Tracey – Admin	
Original Risk Matrix	Current Risk Matrix	Target Risk Matrix	Reviewed Date	Target Date	Management
			18-Dec-2019		Controlled

Controls/Actions In Place	<p>LEAD OFFICER – M Finch</p> <p>Horizon scanning – look at the key messages relating to Brexit from Central government.</p> <p>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.</p> <p>Update Reports to SLT.</p> <p>Plans in place to manage impact on the Lorry Park</p> <p>Market trend analysis report developed to highlight differences between East and West regions of NSDC and reporting to Growth and Prosperity meetings.</p> <p>Communications plan informing media responses</p> <p>Responsive risk review in light of central government information.</p> <p>Full participation and engagement with the Local Resilience Forum.</p> <p>Full participation and engagement with LRF</p> <p>Monitor Risk log quarterly with BM's</p> <p>Responsive risk review in light of central government info</p> <p>Develop market trend analysis report to highlight differences between East and West regions of NSDC (quarterly). Agree key indices to report to Growth & Prosperity meetings to inform a joined up strategic approach around "Prosperity")</p> <p>Updates to be provided by CMT following attendance at conferences (e.g. Solace) regarding implications of Brexit (CMT)</p> <p>Working more closely with NFU to understand implications of Brexit, e.g staffing/funding (JRS)</p> <p>SLT have discussed details and considered wider risks/mitigation</p> <p>Communication updates from Food Standards Agency</p> <p>Evaluation of data undertaken and no data shared across borders.</p>
Vulnerability	<p>Financial</p> <p>Reputation</p> <p>Resource demand</p> <p>Service delivery</p> <p>Communities</p>
Trigger/Event	<p><u>Economic downturn</u></p> <p>Cost of goods and services increase</p>

	<p>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 initiatives which would previously have qualified for EU funding</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 Cyber attack</p> <p>Protests and other actions planned Further electoral activity</p>
Impact	<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> Civil Unrest Long extension to negotiations may cause local 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 Increased use of temporary accommodation and possible legal action to remove households who may no longer qualify for access to the service Additional training required to ensure staff are up to speed with any legal changes following Brexit (e.g. changes in eligibility criteria for housing)</p> <p><u>Service Delivery</u></p>

Increase in homelessness
Increase in those relying on universal credit
Legislative changes impact heavily on how the waste management service is delivered
Blocades may result in lorry park experiencing more demand
Potential for fuel shortages
Increase in negative decisions and households no longer eligible for services

Resource Demand

Lack of workforce in specific roles such as social care, service industry
Skills shortage in key industries
Multi-tier eligibility assessments required of individuals from EEA depending on status and arrival date in UK
Increase in referrals to county council for households no longer eligible for public services
Re-assessment of allocations scheme and eligibility criteria

Impact on residents

Potential for unrest and increase in hate crime
Demographic changes due to shifts in immigration and migration

Democratic implications

Lack of engagement

AUDIT AND ACCOUNTS COMMITTEE **25 NOVEMBER 2020**

INTERNAL AUDIT PROGRESS REPORT

1.0 Purpose of Report

- 1.1 The purpose of the internal audit progress report (Annex A) is to provide a summary of Internal Audit work undertaken during 2020/21 against the agreed audit plan and any remaining reports from 2019/20.

2.0 Background Information

- 2.1 The Audit Plan for 2020/21 was agreed at the Audit and Accounts Committee in February 2020 and throughout the year reports on the progress made and changes to the plan are brought to this Committee.
- 2.2 The report contains details of actions within reports which have a Limited assurance rating, Managers will be in attendance to provide an update on the implementation of actions and respond to any questions.
- 2.3 The report also contains details of outstanding recommendations including those where the Committee is asked to approve an extension.

3.0 Proposals

- 3.1 To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 31 October 2020.

4.0 Equalities Implications

- 4.1 Equality impact assessments are produced by each of the service areas that are audited, and where appropriate these will be taken into account during the course of an audit.

5.0 Community Plan- alignment to objectives

- 5.1 The Internal Audit Plan underpins the delivery of the Community Plan. Through assurance gained from Internal Audit, Council can be satisfied that internal processes are working in a controlled manner, achieving the aims and objectives set out within the Community Plan.

6.0 Financial Implications (FIN20-21/4912)

- 6.1 Financial implications that arise within each of the individual audits will be highlighted during the review and brought to Members attention within the recommendations and management actions.

7.0 RECOMMENDATION(S)

- 7.1 That the Audit and Accounts Committee consider and comment upon the latest internal audit progress report and approve the extensions to the implementation dates.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit Progress Report



Image Courtesy of iStock.com/UKPuzzle Club

Newark and Sherwood District Council November 2020

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Internal Audit in Lockdown
Guide for audit and risk committees on financial reporting and management during COVID-19
IIA Update to the Three Lines of Defense Model
Redmond Review

Appendices

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1 Assurance Definitions & recommendation ranking
2 Details of Overdue Actions
3 Outstanding Actions for Limited Reports
4 Internal Audit Plan 2020/21 – Progress to Date

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Amanda Hunt – Principal
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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 1st July 2020 to 31st October 2020
- Advise on progress of the 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

We are currently working on 13 audits at the moment with 4 of these at draft report stage and the remaining 9 in progress. We have not issued any further reports this period.

Further details of our progress can be found within the body of the report and in Appendix 4.

Overall there are agreed 23 actions remaining to be implemented (7 High and 16 Medium). There are 8 actions which are overdue, 3 of which have requested extensions and we are awaiting Management approval for these. There is one action which requires Committee approval for an extension, this is shown in red in appendix 2.

Appendix 2 shows all of the overdue actions excluding those for the Limited reports. All outstanding actions relating to Limited reports are shown in Appendix 3.

Managers will provide the Committee with an update on the implementation of the recommendations within Appendix 3 (Limited Reports):-

Key Controls – Nick Wilson – Business Manager Financial Services

Building Control – Business Manager Planning Development - Lisa Hughes

Community Centres - Andy Hardy – Health Improvement and Community Relations Manager/Suzanne Shead – Director Housing, Health and Wellbeing

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HIGH
ASSURANCE

0
SUBSTANTIAL
ASSURANCE

0
LIMITED
ASSURANCE

0
LOW
ASSURANCE

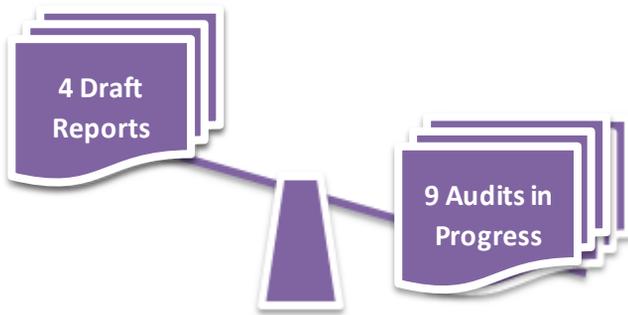
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OTHER

Introduction

Key Messages Continued

Combined Assurance

Our Annual Combined Assurance process is underway with engagement and discussions taking place with relevant staff across all Council. Critical activities, key risks, key partnerships and key projects will be identified and assessed through our systematic risk scoring process and rated Red, Amber or Green (RAG) to create a clear visual map of assurances across the organisation. The results of this will be reported to senior management and the Audit Committee through the Combined Assurance Report. It will also support the Audit Team in planning next year's Audit coverage based on key areas of risk and concern.



- ICT Physical and Environmental Security – Terms of Reference
- Deliver an HRA affordable Housing Growth 5 year programme – planning
- Ensuring Homes are safe and Decent - Planning

Audits reports at draft

We have 4 audits at draft report stage:

- Commercialisation
- Key Controls NSH*
- Buttermarket
- Budgetary Control

*This review was completed prior to the Company being dissolved. However the aspects covered are those which have transferred over to the Council and therefore the points raised remain valid. It has been agreed that this report will now be treated as a Council report in terms of the manner in which it is agreed, reported and followed up.

Work in Progress

We have the following audits in progress:-

- Follow-ups 2020/21 – In progress, 2 interim Memos issued.
- General Ledger/Financial Reporting – Testing
- Information Governance – Terms of Reference
- Newark Castle – Testing
- Apprenticeships – Testing
- Robin Hood Hotel – Testing

Other Significant work

Combined assurance work is now underway. Initial information is being collated and meetings are booked in with relevant staff.

We are also involved in reviewing the grants for the flood incidents in November 2019 and February 2020. We are looking at compliance with the conditions of the grant and ensuring that the due diligence checks are carried out prior to making the payments.





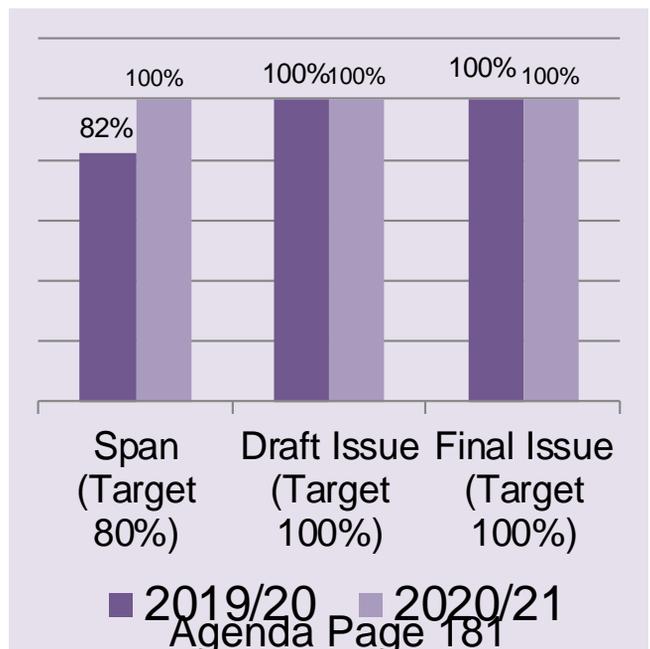
Internal Audit's performance is measured against a range of indicators. The statistics below show our performance on key indicators year to date.

Performance on Key Indicators

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

27% Plan
Completed

**Audit KPI's
achieved**





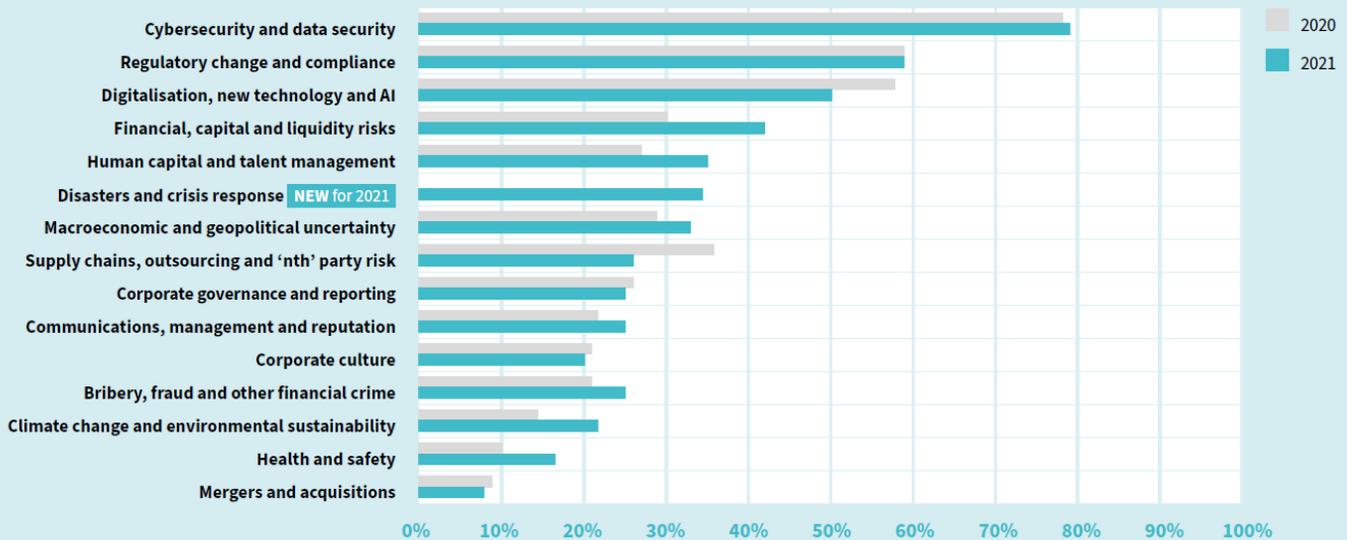
Other Matters of Interest

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

Risk in Focus 2021

This IIA document highlights key risks for organisations moving forward, and states that Covid-19 has shaped a number of the risk profiles:

What are the top five risks that your organisation faces?



As we can see there is only one new risk for 2021 – Disasters and Crisis Response. Several other established risks have also increased as result of the pandemic.

The top ten topics raised by this work can be seen to the right.

We will use this information along with the Combined Assurance work to form next years Audit Plan. The document can be provided in full on request.

The topics are as follows:

1. Information security in the expanded work environment
2. Regulatory forbearance and the return to normal
3. Strategic relevance and the digital imperative
4. Liquidity risk and cost-cutting amid depressed demand
5. Managing talent, staff wellbeing and diversity challenges
6. Disaster and crisis preparedness: lessons from the pandemic
7. Rising nationalism and social tensions amid unprecedented economic volatility
8. Supply chain disruption and vendor solvency
9. Fraud and the exploitation of operational and economic disruption
10. Climate change: the next crisis?



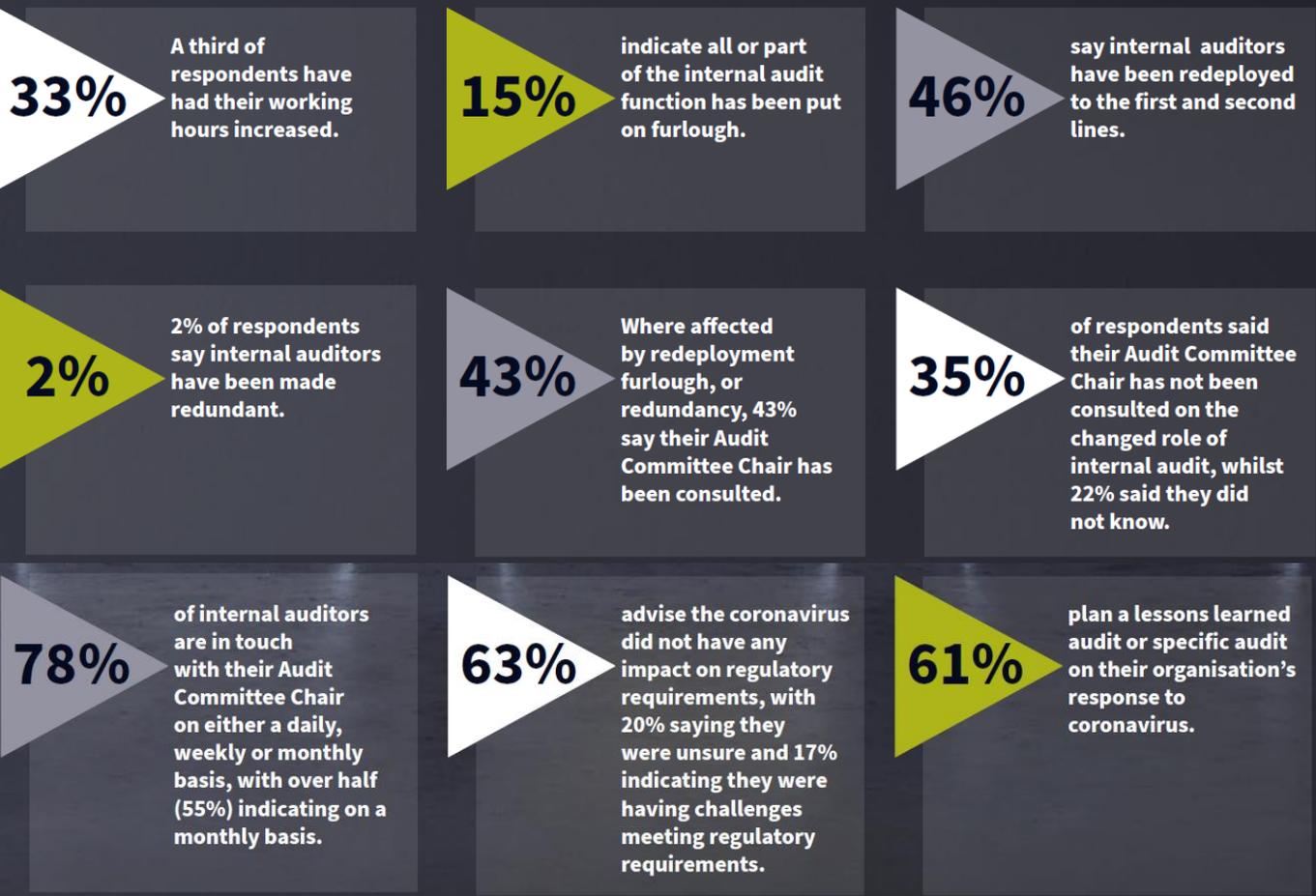
Other Matters of Interest

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

Internal Audit in Lockdown - The impact of the coronavirus pandemic on internal audit teams in the UK and Ireland

This IIA document provides an insight of how Chief Audit Executives are coping with working in the current environment, and their thoughts on the long term impacts. Data was gathered through surveys and interviews.

Key Findings



The document can be provided in full on request.



Other Matters of Interest

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

Guide for audit and risk committees on financial reporting and management during COVID-19

This best practice document was produced by the National Audit Office. It aims to help audit and risk committee members discharge their responsibilities and to examine the impacts on their organisations of the COVID-19 outbreak. This includes the key areas:

1. annual reports;
2. financial reporting;
3. the control environment
4. regularity of expenditure

It provides the audit committees with reasoning as to how Covid-19 may have affected certain procedures, how the Authorities may have adjusted their processes to mitigate these issues, and most importantly the key questions the Committee can ask to gain assurance in these areas.

The document can be provided in full on request.

IIA Update to the Three Lines of Defense Model

The Three Lines Model helps organizations identify structures and processes that best assist the achievement of objectives and facilitate strong governance and risk management. The model applies to all organizations and is optimized by:

- Adopting a principles-based approach and adapting the model to suit organizational objectives and circumstances.
- Focusing on the contribution risk management makes to achieving objectives and creating value, as well as to matters of “defense” and protecting value.
- Clearly understanding the roles and responsibilities represented in the model and the relationships among them.
- Implementing measures to ensure activities and objectives are aligned with the prioritized interests of stakeholders.

We already apply this methodology when doing our Annual Combined Assurance work. The document can be provided in full on request.



Other Matters of Interest

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

Redmond Review

There has been an independent review into the oversight of Local Audit and the transparency of Local Authority financial reporting. This was published in September 2020. Key findings include:

- concerns expressed regarding the state of the local audit market and the ultimate effectiveness of the work undertaken by audit firms.
- the current fee structure does not enable auditors to fulfill the role in an entirely satisfactory way
- there is merit in authorities examining the composition of Audit Committees in order to ensure that the required knowledge and expertise are always present when considering reports, together with the requirement that at least an annual audit report to be submitted to Full Council.
- a key recommendation is to create a new regulatory body responsible for procurement, contract management, regulation, and oversight of local audit. It is recognised that the new body will liaise with the Financial Reporting Council (FRC) with regard to its role in setting auditing standards.

The document can be viewed online - <https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review>.

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 limited level of confidence on service delivery arrangements, management of risks and operation of controls and / or performance.

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.

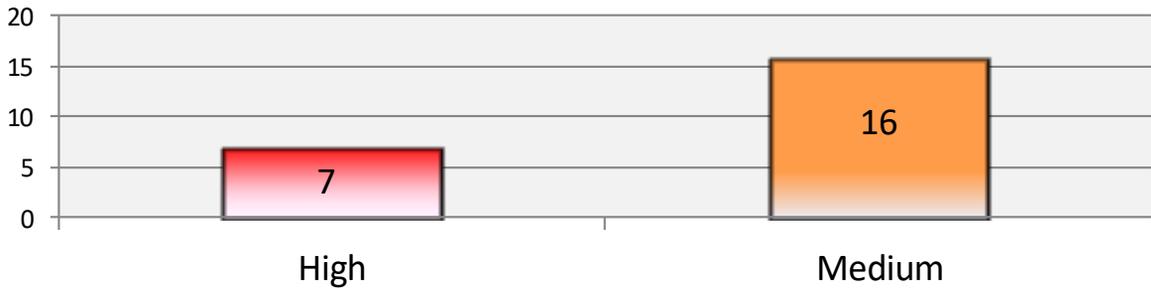
Low

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.

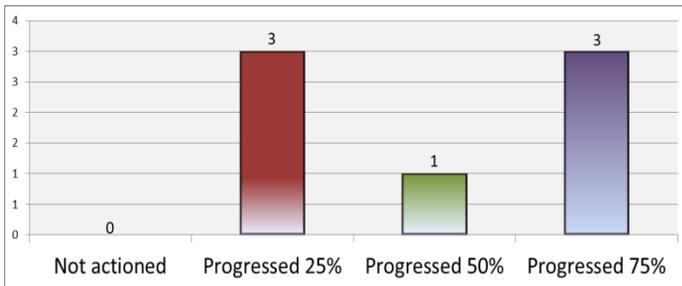
Outstanding Audit Actions for all audits at 1 November 2020

All Actions remaining to be implemented

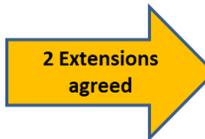


High Priority Actions remaining to be implemented

Overall

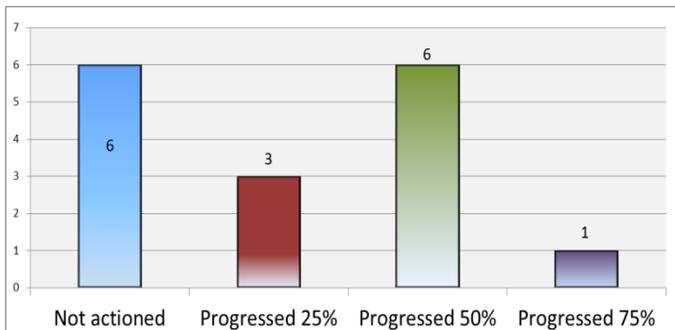


Overdue

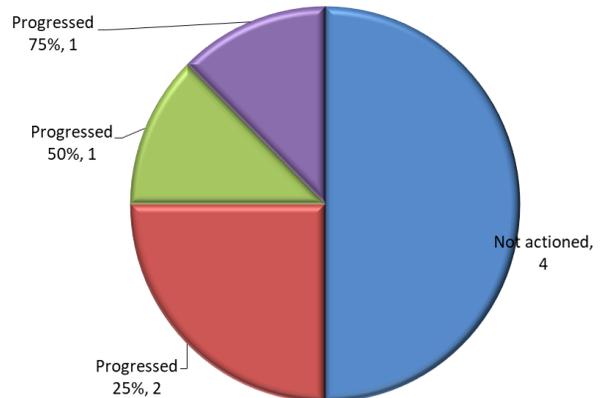


Medium Priority Actions remaining to be implemented

Overall



Overdue



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Outstanding Audit Actions at 1 November 2020

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Domestic Refuse	Medium	2.1 Recycling information has been issued to every property in the district. Areas with particular contamination issues will be targeted with face to face visits and pre-round checks.	31/03/2020	Matt Adey	31/08/2020	<p>Most recent Jun 2020 – Matt Finch response - I note Matt Adey has identified an extension to the end of August which I think is very optimistic. To my mind, this isn't a priority whilst we're working in such an altered state with two in a cab etc.</p> <p>Jun 2020 - Targeted actions included in the Environmental Services Action Plan. Implementation of these was due to begin in April 2020 following on from the restructure of the Business Unit and frontline collection rounds. The responses required to safely continue to operate frontline services during the Covid19 pandemic and the restriction of on site actions has delayed things further. We do not expect to resume on street work until the restrictions are lifted.</p> <p>Oct 2020 - This would still not be classed as a priority in the current climate and door to door visits are not yet commencing. We will continue desktop analysis of problem areas and look for alternative methods to improve the contamination rate.</p> <p>Requested extension to 31st August 2021 reducing if alternative methods can be identified.</p>

Outstanding Audit Actions at 1 November 2020

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
NSDC Companies	Medium	6.1 The Council is not intending to set up any more companies in the near future therefore we do not feel that it is necessary to compile comprehensive guidance . Following on from the training session in finding 3 we will draw up brief guidance/ checklist covering the role of the client officer and also consider including the monitoring roles of others within the Council e.g. building maintenance responsibilities, Health and Safety etc.	31/03/2020	Sue Bearman	30/06/2020	Mar 2020 - Not yet actioned - extend the timeline for this to 31 June 2020 to produce brief guidance/checklist - KW authorised extension. No further responses received.
NSDC 2018/19-06 - Economic Development	Medium	3.1 A separate strategy will be produced separately now that I have received the research document from Nottingham Trent University which I was waiting for.	31/12/2018	Neil Cuttell	30/09/2020	Most recent. Jun 2020 - New Business Manager has just started, the formation of the new team is the update at present. ·Oct 2020 - The Economic Growth Strategy 2021-2025 is being considered consultation at present. This will go to the November 2020 Committee of Economic Development for approval

Outstanding Audit Actions at 1 November 2020

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
NSDC 2019/20-01 - Key Control Testing	Medium	Accepted - this was something that we were already aware of and had made a start on when the audit took place.	01/10/2020	Caroline Glass	01/10/2020	Oct 2020: - Policy is currently under review. Toolkit will then need revising. Please amend due date to 31.3.21.
NSDC 2019/20-01 - Key Control Testing	Medium	We have identified this as a training need across the Council and have approached providers to source training to all NSDC managers, any other staff who author reports or lead on projects and senior HR officers on how to undertake meaningful Equality Impact Assessments.	01/09/2020	Caroline Glass	01/09/2020	<ul style="list-style-type: none"> ·Oct 2020 - EIA training – this was delayed by Covid and is now taking place on 28 October 2020. A key group of staff will undertake the training with a view to rolling out across the organisation between November and March 2021 (Covid-permitting) ·Due Covid the trainer had to rewrite the programme to deliver electronically. Training now to be delivered on 12 Nov to key officers who will then roll out across the council to all report writers (Extension to November 2020)
NSDC 2019/20-01 - Key Control Testing	Medium	Accepted. Going forward, we will report on all equality and diversity actions to the Policy & Finance Committee after year end.	01/09/2020	Caroline Glass	01/09/2020	<ul style="list-style-type: none"> Oct 2020 update:- Summarised:- ·Given the Coronavirus outbreak most equalities work was placed on hold and so no report went to P&F. This will be actioned once we get back on an even keel (Extension will be required).

The remaining actions are included within Appendix 3 so has not been duplicated here.

The following reports have been included in this or previous progress reports and these are the actions remaining to be implemented

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Key Controls 2018/19	Medium	5.1 A relevant target and/or report will be devised and agreed with the Director of Resources.	31/07/2019	Nick Wilson	30/06/2020	<p>Aug 2020 - Verbal update. First report to be taken to SLT in Oct - end of quarter report. This will include all debts not just Sundry debtors. There will also be a focus on debt overall as services may be meeting current target for the year but not looking at the debt we didn't get in previous years. Meeting is in diaries but has not yet taken place so not yet complete.</p> <p>Oct 2020 - The first report is due to be taken to SLT on the 20th October in conjunction with the debt position for Council Tax, NNDR and Rents. Discussions have been had across those disciplines and the report will be built and tabled at that meeting. This will then occur quarterly from there.</p>
Building Control 2019/20	High	4.3 The new Business Manager will create an annual report for the Partnership Board	30/04/2021	Lisa Hughes	30/04/2021	<p>Jun 2020 - Report has been prepared for Policy & Finance Committee (P&F). Further report will be required before or just after then end of the current financial year.</p> <p>Sept 2020 - Report was not presented to P&F due to Covid-19 impacts. Report will be presented to September's P&F.</p> <p>Oct 2020 - Report prepared for November's P&F</p>

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Community Centres 2019/20	Medium	<p>To create a service plan for the Community Centres. Outlining targets and what they want to achieve within the community.</p> <p>To produce a low level report annually, providing an overview of what has been achieved over the year. Can be used to provide information for councillors should this be requested.</p>	28/03/2020	Andy Hardy	28/03/2020	<p>Mar 2020 - The community centres run their own programmes which support the local community and deliver an income stream to the centre to offset operating costs. A report can be presented to L&E Committee in June to provide an overview of what each centre/hall has done over the previous 12 months.</p> <p>Jun 2020 - An annual report can be presented to L&E Committee with an overview of each of the centres owned by the Council and managed independently. A Committee date target is required.</p> <p>Oct 2020 - a wider report is required about the current position and future plans for our 4 community centres with recommendations for SLT and L&E approval which will also ensure delivery of this audit action to report annually on these matters.</p>

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
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-20			
Budgetary Control /Management	To provide assurance that the budgets are set in accordance with the financial strategy and Council priorities with accurate reporting and monitoring.	Aug-20	Aug-20		Draft Report
General Ledger/Financial reporting	To review the general ledger to provide assurance that transactions within it are accurate and agree with the feeder systems. Access to the ledger is appropriately restricted.	Jul-20	Aug-20		Testing
NNDR	NNDR is billed correctly, collected promptly and all discounts are appropriately awarded.	Jun-20	Jun-20	Aug-20	Substantial
Council Tax	Council Tax is billed and collected in accordance with the agreed charge for the property and location and all discounts are appropriately awarded.	Jan-21			
Information Governance	There are effective processes in place for the management of information throughout the Council.	Aug-20	Aug-20		Terms of Reference

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
Newark Castle	Review of the key processes in place for income, security, maintenance and management of the Castle.	Aug-20	Aug-20		Testing
Deliver a HRA affordable housing growth 5 year programme	To provide assurance that the Council has a plan in place for the delivery of affordable housing which is realistic, adequately resourced and will meet the requirements laid down.	Sep-20			Planning
Ensuring homes are safe and decent	To provide assurance that the Council is meeting its obligations to it's tenants in the provision of safe and decent homes.	Sep-20			Planning
Strategic Asset Management	To provide assurance over the arrangements in place for the operational management of the Council's land and buildings and the maintenance /improvement thereof.	Jan-21			
Contract management - General	There are effective arrangements in place which ensure that all contracts are recorded, allocated contract managers and there are processes in place which ensure that they are managed effectively.	Sep-20			

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
Enforcement	To provide assurance that there are effective processes in place for development enforcement action which are complied with.	May-20	May-20	Aug-20	Substantial
Debt	There are effective and joined up arrangements for the management of debts owed to the Council. Such processes are documented, consistent and shared prior to allowing further credit wherever possible.	Feb-21			
Apprenticeships	To ensure that there is compliance against the scheme requirements, maximisation of take-up and consideration is given to the retention and integration of apprentices into the workforce once they have completed their apprenticeship.	Aug-20			Testing
Robin Hood Hotel	There are appropriate governance arrangements in place for the Robin Hood Hotel company with oversight maintained of the construction project.	Jun-20	Aug-20		Testing
ICT Physical and Environmental Security	Looking at the security of Castle House, satellite locations (Brunel drive cited as a concern), the Beacon and locations where any off-site back-ups are stored.	Aug-20	Sept-20		Terms of Reference

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
ICT Capability and Capacity	Skills audit and training needs assessment .	Oct-20			
Follow-ups	Follow-up of recommendations made for the progress report and on a sample basis.	Various			In progress
Combined Assurance	Updating the assurance map and completing the Combined Assurance report.	Oct-20			In progress
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011 .	Aug-20			Document requested
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts	Apr-20	Apr-20	Apr-20	Complete
Newark Cattlemarket	Completion of the rent calculation for 2018/19	Jun-20	Jun-20	Jun-20	Complete
2019/20 Strategic Risks	Strategic risks are identified, managed and linked to the corporate priorities of the Council. There is a process in place which ensure that they remain current and action plans ensure that risk mitigation actions are implemented as planned.	Feb-20	Jul-20		Postponed Reinstated - Testing
2019/20 Homelessness	To provide assurance that the homelessness service is meeting it's objectives and priorities and complies with legislation.	Jan-20			Postponed
2019/20 Corporate Governance					In Progress

Audit	Scope of Work	Start Planned Date	Start Actual Date	End Actual Date	Rating/ Position
2019/20 Public Protection	To provide assurance that the Council is complying with it's duties in respect of public protection including a clear strategy and partnership working. Income due through the issue of Fixed Penalty Notices is collected and used as prescribed.	Mar-20			Postponed
2019/20 Key Controls	Delivery of Key Control, testing to enable the Head of Audit to form an opinion on the Council's financial control environment.	Nov-19	Oct-19	Aug-20	Substantial
2019/20 Buttermarket	To provide assurance that there is effective management of the Buttermarket to ensure that it meets the objectives of the Council.	Sep-19	Oct-19		Draft Report
2019/20 Commercialisation	There is a clear strategy and action plan in place covering the Council's commercial aspirations and this conforms with the relevant legislation.	Apr-19	Jul-19		Draft Report (Put on hold for priority work)
2019/20 Performance	To follow-up the recommendations made within the previous report which received Limited assurance rating.	Sep-19	Mar-20	Aug-20	Substantial
2019/20 Follow-ups	Follow-up of the implementation of recommendations made on a sample basis.	Various – throughout the year	Various	Aug-20	Substantial

AUDIT AND ACCOUNTS COMMITTEE

25 NOVEMBER 2020

TREASURY MANAGEMENT 2020-21 MID YEAR REPORT

1. Purpose of Report

1.1. This report provides an update on the Council's treasury activity and prudential indicators for the first half of 2020/21.

2. Summary of Treasury Balances as at 30 September 2020

2.1. Below is a summary of the Councils borrowing position as at 30 September 2020, further information at section 6.

Balance on 01/04/2020 £m		Balance on 30/09/2020 £m
92.427	Total Borrowings	99.638
0.224	Total Other Long Term Liabilities	0.224
92.651	TOTAL EXTERNAL DEBT	99.862

2.2. Below is a summary of the Councils investment position as at 30 September 2020, further information at section 7.

Balance on 01/04/2020 £m		Balance on 30/09/2020 £m
30.959	Total Short term Investments	49.522
7.500	Total Long term Investments	7.500
92.651	TOTAL INVESTMENTS	57.022

2.3. Below is a summary of the Councils capital expenditure position as at 30 September 2020, further breakdown at section 5.

Capital Expenditure	2020/21 Initial Capital Budget £m	Current Expenditure 30/09/2020 £m	2020/21 Revised Estimate £m
General Fund Expenditure	29.227	1.645	32.537
HRA Expenditure	23.909	4.179	24.379
Total Capital Expenditure	53.136	5.824	56.916

2.4. **Breach of Indicator**, the Council can confirm no prudential indicators were breached during the first six months of financial period 2020/21, further breakdown at section 9.

3. Introduction

- 3.1. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.
- 3.2. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first part of the 2020/21 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Council's investment portfolio for 2020/21;
 - A review of the Council's borrowing strategy for 2020/21;
 - A review of any debt rescheduling undertaken during 2020/21;
 - A review of compliance with Treasury and Prudential Limits for 2020/21.
- 3.3. Treasury Management is defined as: "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 3.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy update

4.1. The Treasury Management Strategy Statement (TMSS) for 2020/21 was approved by Full Council on 9 March 2020. There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. The Council's Capital Position

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1. The table below shows the revised estimates for capital expenditure and the changes since the Capital Programme was agreed within the Capital Programme budget on 9 March 2020.

Capital Expenditure	2020/21 Capital Budget approved 9 March 2020 £m	Current Expenditure £m	2020/21 Revised Estimate £m
General Fund Expenditure	29.227	1.645	32.537
HRA Expenditure	23.909	4.179	24.379
Total Capital Expenditure	53.136	5.824	56.916
Financed by:			
Capital Receipts	5.298		4.863
Capital Grants & Contributions	9.203		8.809
Capital Reserves	12.111		12.965
Revenue	2.787		3.620
Total Financing	29.399		30.257
Borrowing Requirement	23.737		26.659

The financing of the Capital Programme will be determined by the S151 Officer at the year-end based on best use of resources.

The increase from the Budget approved 9 March 2020 relates to approved capital carry forward requests and approved variations to the capital programme.

6. Borrowing Strategy

6.1. At 30 September 2020 the Council held £99m of loans, as part of its strategy for funding previous years' capital programmes.

6.2. **Borrowing Activity in 2020/21**

	General Fund		HRA	
	Balance on 01/04/2020 £m	Balance on 30/09/2020 £m	Balance on 01/04/2020 £m	Balance on 30/09/2020 £m
Short Term Borrowing	1.071	0.795	4.026	4.014
Long Term Borrowing	3.300	3.300	84.030	91.530
TOTAL BORROWING	4.371	4.095	88.056	95.543
Other Long Term Liabilities	0.224	0.224	0	0
TOTAL EXTERNAL DEBT	4.595	4.319	88.056	95.543
CFR	26.262	44.778	106.638	110.211
Under / (over) borrowing	21.667	40.459	18.582	14.668

6.3. As the Council is in a significant under borrowed position, as per the table in 6.2, there may be a requirement during the remainder of the financial year where new borrowing is required. Below is a breakdown of new borrowing taken during financial year 2020/21 which was within the approved Treasury Management Borrowing Strategy framework and has been reviewed by the S151 Officer for cost effectiveness as whether to borrow shorter term or long term in relation to interest rate forecasts.

Institution	From	To	Amount	Rate
PWLB	01/04/2020	31/03/2038	£3,000,000	1.46%
PWLB	01/04/2020	31/03/2045	£4,500,000	1.55%

6.4. **LOBOs:** The Council holds £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of the £3.5m of LOBOs had options during the last 6 months, none of which were exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

6.5. **Internal borrowing:** For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding of capital expenditure that has not been funded from grants and other resources. This has lowered overall treasury risk by reducing both external debt and temporary investments. However this position will not be sustainable over the medium term as the Council needs to use reserves for the purpose they were set aside for, and external borrowing may need to be undertaken.

6.6. **Debt rescheduling:** The premium charge for early repayment of PWLB debt remains relatively expensive for the loans in the Council's portfolio and therefore unattractive for

debt rescheduling activity. No rescheduling activity was undertaken or is proposed during the rest of the financial year as a consequence.

7. Investment Activity

7.1. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a return commensurate with these principles.

7.2. Investment Activity in 2020/21

Type of Investment	Balance on 01/04/2020 £m	Balance on 30/09/2020 £m	Average Interest Rate
Short term Investments			
<i>Fixed Term Deposits:</i>			
Santander	5.000	5.000	0.55%
Lloyds 95 Day Notice	0	5.000	0.20%
Local Authority Investment	3.000	8.000	1.00%
Close Brothers	0	2.000	0.45%
<i>Money Market Funds:</i>			
Goldman Sachs	6.800	4.572	0.01%
Deutsche Bank	5.159	1.060	0.01%
Invesco	8.500	12.000	0.04%
CCLA	2.500	7.240	0.13%
<i>Bank Call Account:</i>			
Handelsbanken	0	4.650	0.05%
Total Short Term Investments	30.959	49.522	
Long term Investments			
CCLA Property Fund	4.000	4.000	3.64%
CCLA Diversified Income Fund	3.500	3.500	3.80%
Total Long Term Investments	7.500	7.500	
TOTAL INVESTMENTS	38.459	57.022	
Increase/ (Decrease) in Investments		18.563	

7.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

7.4. The Council's budgeted investment return for 2019/20 is currently forecasting an £0.302m unfavourable variance. As shown by the interest rate forecasts in section 2, it is now impossible to earn the level of interest rates commonly seen in previous decades as all investment rates are barely above zero now that Bank Rate is at 0.10%, while some entities, including more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment

and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

8. Non-Treasury Investments

- 8.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return or regeneration purposes. This is replicated in MHCLG's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return or regeneration purposes.
- 8.2. Breakdown below of current Non-Treasury Investments held;

Counterparty	Balance at 30/09/2020
Growth Investment Fund	£40,935
Loans to Housing Associations	£19,222
Loans to Parish Councils	£15,958
Loans to RHH Ltd	£707,890

These investments are due to generate £0.031m of investment income for the Council after taking account of direct costs, representing a rate of return of 5.14%.

9. Prudential Indicators

Breach of Indicators

- 9.1. There have been no breaches of the prudential indicators in the first six months of the financial year 2020/21.

Limit To Borrowing Activity

- 9.2. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2020/21.

	Approved Operational Boundary 2020/21 £m	Authorised Limit 2020/21 £m	Actual External Debt 30/09/2020 £m	Compliance
Borrowing	161.9	168.5	99.6	Yes
Other Long Term Liabilities	0.4	0.6	0.2	Yes
Total	162.3	169.1	99.9	Yes

- 9.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit %	Actual at 30/09/2020 £m	Actual at 30/09/2020 %	Compliance
Under 12 months	15%	4.00	4.05%	Yes
12-24 months	15%	6.30	6.37%	Yes
2-5 years	30%	16.00	16.19%	Yes
5-10 years	100%	23.77	24.05%	Yes
Over 10 years	100%	48.77	49.34%	Yes

Limits to Investing Activity

- 9.4. **Security.** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target	Actual	Compliance
Portfolio average credit rating	A	AA+	Yes

- 9.5. **Liquidity Risk Indicator.** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a banding period, without additional borrowing.

Total cash available within;	Limit	Actual 30/09/2020	Compliance
3 months	100%	52%	Yes
3 – 12 months	80%	35%	Yes
Over 12 months	40%	13%	Yes

- 9.6. **Principal Sums Invested for over 364 Days.** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments

	Price Risk Limit 2020/21	Actual Investment 30/09/2020	Compliance
Limit on principal invested beyond year end	£15m	£7.5m	Yes

Limits to Capital Activity

9.7. **Capital Financing Requirement.** The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose.

	2020/21 Original Estimate £m	2020/21 Revised Estimate £m
CFR – non housing	27.151	44.778
CFR – housing	104.835	110.211
Total CFR	131.986	154.989
Net movement in CFR		23.003

9.8. **Capital Financing Costs to Net Revenue Stream.** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2020/21 Original Estimate £m	2020/21 Revised Estimate £m
General Fund		
Financing Costs	-0.291	-0.291
Proportion of net revenue stream	-1.48%	-1.48%
Housing Revenue Account		
Financing Costs	11.731	12.187
Proportion of net rental stream	50.33%	53.78%

10. Economic Background/Interest Rate Forecast

10.1. **Appendix A and Appendix B** gives a summarised outlook for the economic background and interest rate forecast from our Treasury Consultants, Link.

11. RECOMMENDATIONS that:-

- (a) the treasury management activity be noted and recommend to Full Council on 15 December; and**
- (b) the Prudential Indicators detailed in Section 9 of the report be noted.**

Background Papers

Nil.

For further information, please contact Andrew Snape, Assistant Business Manager – Financial Services on extension 5523.

N Wilson
Business Manager Financial Services

Economics Update

As expected, the Bank of England's Monetary Policy Committee kept Bank Rate unchanged on 6th August. It also kept unchanged the level of quantitative easing at £745bn. Its forecasts were optimistic in terms of three areas:

- The fall in GDP in the first half of 2020 was revised from 28% to 23% (subsequently revised to - 21.8%). This is still one of the largest falls in output of any developed nation. However, it is only to be expected as the UK economy is heavily skewed towards consumer-facing services – an area which was particularly vulnerable to being damaged by lockdown.
- The peak in the unemployment rate was revised down from 9% in Q2 to 7½% by Q4 2020.
- It forecast that there would be excess demand in the economy by Q3 2022 causing CPI inflation to rise above the 2% target in Q3 2022, (based on market interest rate expectations for a further loosening in policy). Nevertheless, even if the Bank were to leave policy unchanged, inflation was still projected to be above 2% in 2023.

It also squashed any idea of using negative interest rates, at least in the next six months or so. It suggested that while negative rates can work in some circumstances, it would be “less effective as a tool to stimulate the economy” at this time when banks are worried about future loan losses. It also has “other instruments available”, including QE and the use of forward guidance.

The MPC expected the £300bn of quantitative easing purchases announced between its March and June meetings to continue until the “turn of the year”. This implies that the pace of purchases will slow further to about £4bn a week, down from £14bn a week at the height of the crisis and £7bn more recently.

In conclusion, this would indicate that the Bank could now just sit on its hands as the economy was recovering better than expected. However, the MPC acknowledged that the “medium-term projections were a less informative guide than usual” and the minutes had multiple references to downside risks, which were judged to persist both in the short and medium term. One has only to look at the way in which second waves of the virus are now impacting many countries including Britain, to see the dangers. However, rather than a national lockdown, as in March, any spikes in virus infections are now likely to be dealt with by localised measures and this should limit the amount of economic damage caused. In addition, Brexit uncertainties ahead of the year-end deadline are likely to be a drag on recovery. The wind down of the initial generous furlough scheme through to the end of October is another development that could cause the Bank to review the need for more support for the economy later in the year. Admittedly, the Chancellor announced in late September a second six month package from 1st November of government support for jobs whereby it will pay up to 22% of the costs of retaining an employee working a minimum of one third of their normal hours. There was further help for the self-employed, freelancers and the hospitality industry. However, this is a much less generous scheme than the furlough package and will inevitably mean there will be further job losses from the 11% of the workforce still on furlough in mid September.

Overall, the pace of recovery is not expected to be in the form of a rapid V shape, but a more elongated and prolonged one after a sharp recovery in June through to August which left the economy 11.7% smaller than in February. The last three months of 2020 are now likely to show no growth as consumers will probably remain cautious in spending and uncertainty over the outcome of the UK/EU trade negotiations concluding at the end of the year will also be a headwind. If the Bank felt it did need to provide further support to recovery, then it is likely that the tool of choice would be more QE.

There will be some painful longer term adjustments as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever. There is also likely to

be a reversal of globalisation as this crisis has shown up how vulnerable long-distance supply chains are. On the other hand, digital services is one area that has already seen huge growth.

One key addition to the Bank's forward guidance was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate.

The Financial Policy Committee (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

US. The incoming sets of data during the first week of August were almost universally stronger than expected. With the number of new daily coronavirus infections beginning to abate, recovery from its contraction this year of 10.2% should continue over the coming months and employment growth should also pick up again. However, growth will be dampened by continuing outbreaks of the virus in some states leading to fresh localised restrictions. At its end of August meeting, the Fed tweaked its inflation target from 2% to maintaining an average of 2% over an unspecified time period i.e. following periods when inflation has been running persistently below 2%, appropriate monetary policy will likely aim to achieve inflation moderately above 2% for some time. This change is aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary "trap" like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade so financial markets took note that higher levels of inflation are likely to be in the pipeline; long term bond yields duly rose after the meeting. The Fed also called on Congress to end its political disagreement over providing more support for the unemployed as there is a limit to what monetary policy can do compared to more directed central government fiscal policy. The FOMC's updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that. There is now some expectation that where the Fed has led in changing its inflation target, other major central banks will follow. The increase in tension over the last year between the US and China is likely to lead to a lack of momentum in progressing the initial positive moves to agree a phase one trade deal.

EU. The economy was recovering well towards the end of Q2 after a sharp drop in GDP, (e.g. France 18.9%, Italy 17.6%). However, the second wave of the virus affecting some countries could cause a significant slowdown in the pace of recovery, especially in countries more dependent on tourism. The fiscal support package, eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support and quickly enough to make an appreciable difference in weaker countries. The ECB has been struggling to get inflation up to its 2% target and it is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and has enabled it to recover all of the contraction in Q1. However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. There are some concerns that a second wave of the virus is gaining momentum and could dampen economic recovery from its contraction of 8.5% in GDP. It has been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. The resignation of Prime Minister Abe is not expected to result in any significant change in economic policy.

World growth. Latin America and India are currently hotspots for virus infections. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Interest Rate Forecasts

The Council’s treasury advisor, Link Group, provided the following forecasts on 11th August 2020 (PWLB rates are certainty rates, gilt yields plus 180bps):

Link Group Interest Rate View 11.8.20										
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month average earnings	0.05	0.05	0.05	0.05	0.05	-	-	-	-	-
6 month average earnings	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
12 month average earnings	0.15	0.15	0.15	0.15	0.15	-	-	-	-	-
5yr PWLB Rate	1.90	2.00	2.00	2.00	2.00	2.00	2.10	2.10	2.10	2.10
10yr PWLB Rate	2.10	2.10	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30
25yr PWLB Rate	2.50	2.50	2.50	2.60	2.60	2.60	2.70	2.70	2.70	2.70
50yr PWLB Rate	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.50	2.50

The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its meeting on 6th August (and the subsequent September meeting), although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is expected within the forecast horizon ending on 31st March 2023 as economic recovery is expected to be only gradual and, therefore, prolonged.

GILT YIELDS / PWLB RATES. There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was heightened expectations that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March. After gilt yields spiked up during the initial phases of the health crisis in March, we have seen these yields fall sharply to unprecedented lows as major western central banks took rapid action to deal with excessive stress in financial markets, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when

there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. At the close of the day on 30th September, all gilt yields from 1 to 6 years were in negative territory, while even 25-year yields were at only 0.76% and 50 year at 0.60%.

From the local authority borrowing perspective, HM Treasury imposed **two changes of margins over gilt yields for PWLB rates** in 2019-20 without any prior warning. The first took place on 9th October 2019, adding an additional 1% margin over gilts to all PWLB period rates. That increase was then at least partially reversed for some forms of borrowing on 11th March 2020, but not for mainstream General Fund capital schemes, at the same time as the Government announced in the Budget a programme of increased infrastructure expenditure. It also announced that there would be a consultation with local authorities on possibly further amending these margins; this was to end on 4th June, but that date was subsequently put back to 31st July. It is clear HM Treasury will no longer allow local authorities to borrow money from the PWLB to purchase commercial property if the aim is solely to generate an income stream (assets for yield).

Following the changes on 11th March 2020 in margins over gilt yields, the current situation is as follows: -

- **PWLB Standard Rate** is gilt plus 200 basis points (G+200bps)
- **PWLB Certainty Rate** is gilt plus 180 basis points (G+180bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

It is possible that the non-HRA Certainty Rate will be subject to revision downwards after the conclusion of the PWLB consultation; however, the timing of such a change is currently an unknown, although it would be likely to be within the current financial year.

As the interest forecast table for PWLB certainty rates, (gilts plus 180bps), above shows, there is likely to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. Inflation is also likely to be very low during this period and could even turn negative in some major western economies during 2020/21.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably relatively even, but is subject to major uncertainty due to the virus.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **UK** - second nationwide wave of virus infections requiring a national lockdown
- **UK / EU trade negotiations** – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth.
- **UK - Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. In

addition, the EU recently agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks**, for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.
- **US – the Presidential election in 2020:** this could have repercussions for the US economy and SINO-US trade relations.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK** - stronger than currently expected recovery in UK economy.
- **Post-Brexit** – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

AUDIT & ACCOUNTS COMMITTEE **25 NOVEMBER 2020**

REDMOND REVIEW

1.0 Purpose of Report

1.1 This report summarises the review conducted by Sir Tony Redmond on the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England.

2.0 Background Information

2.1 The Local Audit and Accountability Act 2014 (the 2014 Act) abolished the Audit Commission and introduced a new audit regime for local government to replace the previous arrangements.

2.2 In June 2019, the Secretary of State for the Ministry of Housing, Communities and Local Government (MHCLG) invited Sir Tony Redmond, former President of the Chartered Institute of Public Finance (CIPFA) to conduct a review of the current arrangements. The review was to examine the arrangements in place to support the transparency and quality of local authority financial reporting and external audit.

2.3 Broader issues of local authority finances and sustainability were outside the scope of the review.

2.4 Between September and December 2019 stakeholder views were canvassed, including those representing the interests of local authorities, the accountancy profession, and local residents and taxpayers. A range of issues were raised in relation to the current regime.

2.5 Following consideration of the evidence gathered, Sir Tony published his findings and recommendations in the report “Independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England” published 8 September 2020.

2.6 Sir Tony has stated that “The outcome of this Review is designed to deliver a new framework for effective local audit and an annual financial statement which enables all stakeholders to hold local authorities to account for their performance together with a robust and effective audit reporting regime.”

3.0 Review Recommendations

3.1 The review recommended 23 recommendations across a range of areas which are set out below.

External Audit Regulation

3.2 In respect of External Audit Regulation the report recommended:

1. A new body, the Office of Local Audit and Regulation (OLAR), be created to

manage, oversee and regulate local audit with the following key responsibilities:

- procurement of local audit contracts;
 - producing annual reports summarising the state of local audit;
 - management of local audit contracts;
 - monitoring and review of local audit performance;
 - determining the code of local audit practice; and
 - regulating the local audit sector.
2. The current roles and responsibilities relating to local audit discharged by the:
 - Public Sector Audit Appointments (PSAA);
 - Institute of Chartered Accountants in England and Wales (ICAEW);
 - FRC/ARGA; and
 - The Comptroller and Auditor General (C&AG) to be transferred to the OLAR.
 3. A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
 4. The governance arrangements within local authorities be reviewed by local councils with the purpose of:
 - an annual report being submitted to Full Council by the external auditor;
 - consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee; and
 - formalising the facility for the CEO, Monitoring Officer and Chief Financial Officer (CFO) to meet with the Key Audit Partner at least annually.
 5. All auditors engaged in local audit be provided with the requisite skills and training to audit a local authority irrespective of seniority.
 6. The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
 7. That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR has the scope to apply proportionate sanctions.
 8. Statute be revised so that audit firms with the requisite capacity, skills and experience are not excluded from bidding for local audit work.
 9. External Audit recognises that Internal Audit work can be a key support in appropriate circumstances where consistent with the Code of Audit Practice.
 10. The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
 11. The revised deadline for publication of audited local authority accounts be considered in consultation with NHSI(E) and DHSC, given that audit firms use the same auditors on both Local Government and Health final accounts work.

12. The external auditor be required to present an Annual Audit Report to the first Full Council meeting after 30 September each year, irrespective of whether the accounts have been certified; OLAR to decide the framework for this report.
13. The changes implemented in the 2020 Audit Code of Practice are endorsed; OLAR to undertake a post implementation review to assess whether these changes have led to more effective external audit consideration of financial resilience and value for money matters.

Smaller Authorities Audit Regulation

- 3.3 In respect of recommendations 14-16 these relate to Smaller Authorities Audit Regulation for which this is not applicable to this Council.

Financial Resilience of local authorities

- 3.4 In respect of the financial resilience of local authorities the report recommended:

17. MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority in England is maintained.
18. Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.

- 3.5 **Transparency of Financial Reporting**

In respect of transparency of financial reporting the report recommended:

19. A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
20. The standardised statement should be subject to external audit.
21. The optimum means of communicating such information to council taxpayers/service users be considered by each local authority to ensure access for all sections of the communities.
22. CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary.

- 3.6 The 23rd recommendation was in respect of smaller authorities and hence is not applicable to this Council.

4.0 Response

- 4.1 Several bodies, including CIPFA, the LGA, ICAEW and audit firms have issued statements supportive of recommendations.
- 4.2 The resource implications of the OLAR, the proposed new oversight body to take charge of local authority audit, would amount to approximately £5m per annum after taking into account the amount related to staff subject to transfer under TUPE arrangements. Sir Tony has commented that there is “no comparison” between the new regulatory body and the defunct Audit Commission.
- 4.3 It has been noted that implementation of the recommendations would, in part, require regulatory or legislative change, and that many of the issues identified in this report require urgent attention, given the current concerns about local audit demonstrated in the review.

5.0 Conclusion

- 5.1 Based on the recommendations contained within the report, there is likely to be major changes to the financial reporting and external audit framework over the coming years. Officers will continue to monitor the external environment to ensure that if and when these recommendations are approved for use by the relevant organisations, the Council ensures the relevant provisions are in place to accommodate the change.

6.0 Equalities Implications

- 6.1 Through the many recommendations contained within the review, the heart of the report relates to transparency of financial reporting. It is therefore anticipated that should the recommendations be approved by the various different organisations, this will increase engagement with the stakeholders of the Council.

7.0 Financial Implications (FIN20-21/4589)

- 7.1 As the report concludes that that “the current [external audit] fee structure does not enable auditors to fulfil the role in an entirely satisfactory way. To address this concern an increase in fees must be a consideration”, there is a possibility that, where this recommendation is approved, an increase in the audit fee in future years may occur.

8.0 RECOMMENDATION

That Members note the review concluded by Sir Tony Redmond and discuss the recommendations raised.

Reason for Recommendation

In order to understand the potential changes to support the transparency and quality of local authority financial reporting and external audit in England.

Background Papers

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-independent-review> - Sir Tony Redmond Review together with the appendices to the main report.

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

Nick Wilson
Business Manager - Financial Services

AUDIT & ACCOUNTS COMMITTEE
25 NOVEMBER 2020

WORK PLAN

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
3 February 2021	Draft Treasury Strategy 2021/22	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 2021/22	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2021/22	Andrew Snape	The investment strategy meets the requirements of statutory guidance issued by the government.
	Internal Audit Progress Report 2020/21	Lucy Pledge/Emma Bee (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Annual Audit Letter 2019/20	Jon Machej	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	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 2021/22	Lucy Pledge/Emma Bee (Assurance Lincolnshire)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Partnership Register	Natalie Cook	In order to gain assurance that the Council is managing the partnerships that it is involved within effectively
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
21 April 2021	Statement of Accounting Policies 2020/21	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 2020/21	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 2020/21	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
	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 2020/21 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	
July 2021	Treasury Management Outturn Report 2020/21	Andrew Snape	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	External Audit - Audit Completion Report 2020/21	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 2020/21 & 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
	Annual Internal Audit Report 2020/21	Lucy Pledge/Emma Bee (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
	Internal Audit Progress Report 2021/22	Lucy Pledge/Emma Bee (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	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
	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	