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Newark
NG24 1BY*

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Tuesday, 22 September 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, 30 September 2020 at 10.00 am

**VENUE: Civic Suite, 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

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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 5 February 2020 5 - 8
5. Annual Internal Audit Report 9 - 34
6. Treasury Management Outturn Report 2019/20 35 - 41
7. Annual External Audit Strategy Memorandum 2019/20 42 - 61
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12. Fraud Risk Assessment 218 - 251
13. Counter-Fraud Activities from 1 November 2019 to 31 August 2020 252 - 254
14. Urgency Item taken during Covid-19 255 - 271
15. Audit Committee Work Plan 272 - 275
16. 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.

17. Date of Next Meeting

Wednesday 25 November 2020

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Suite, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 5 February 2020 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

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

APOLOGIES FOR ABSENCE: Councillor Mrs M Dobson (Committee Member)

24 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.

25 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

26 MINUTES OF THE MEETING HELD ON 27 NOVEMBER 2019

that the Minutes of the meeting held on 27 November 2019 be approved as a correct record and signed by the Chairman.

27 TREASURY MANAGEMENT STRATEGY- 2020/21

The Committee considered the report for approval of the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.

AGREED that the Committee approves each of the following key elements and recommends these to Full Council on 9th March 2020 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Treasury Management Strategy 2020/21, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A).
- The Treasury Prudential Indicators and Limits, contained within Appendix A.
- The Authorised Limit Treasury Prudential Indicator contained within Appendix A.

28 CAPITAL STRATEGY 2020/21

The Committee considered the report for approval to the Capital Strategy 2020/21, this incorporates the Minimum Revenue Provision Policy and Capital Prudential

Indicators, updated in accordance with latest guidance.

AGREED that the Committee approves each of the following key elements and recommends these to Full Council on 9th March 2020 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Capital Strategy 2020/21 Appendix A.
- The Capital Prudential Indicators and Limits for 2020/21, contained within Appendix A.
- The Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix C, which sets out the Council's policy on MRP.
- The Flexible Use of Capital Receipts Strategy, contained with Appendix D.

29 INVESTMENT STRATEGY 2020/21

The Committee considered the Investment Strategy for 2020/21, meeting the requirements of statutory guidance issued by MHCLG Investment Guidance in January 2018.

AGREED that the Committee approves each of the following key elements and recommends these to Full Council on 9th March 2020 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

- The Investment Strategy 2020/21, contained within Appendix A.
- The Investment Prudential Indicators and Limits, contained within Appendix A.

30 INTERNAL AUDIT PROGRESS REPORT 2019/20

The new Internal Audit Manager for Assurance Lincolnshire introduced herself to the meeting and her colleague presented the Internal Audit Progress report to Committee members.

The Committee were informed that the Council had freehold ownership of the following Community Centres at:

- Rainworth
- Fernwood
- The Bridge
- Hawtonville

Other Community Centres in the district having been the responsibility of Newark and Sherwood Homes.

AGREED the Committee accepted the latest internal audit progress report.

31 INTERNAL AUDIT PLAN 2020/21

The Internal Audit Plan (Appendix A) sets out the proposed work of Internal Audit for 2020/21.

AGREED approval of the Internal Audit Plan.

32 COMBINED ASSURANCE REPORT

The Committee considered the Combines Assurance Report covering the period up to the end of January 2020.

The Committee discussed the report referring to the Strategic Risks, with respect to Corporate Governance, noting a decline. Members were informed that this would be addressed in Q4.

The Committee was informed that risk assessments were being chased from departments and that new software to be implemented going forward.

AGREED approval of the Combined Assurance report.

33 REVIEW OF INDEPENDENT MEMBERS APPOINTMENT

The Committee considered the report of the Business Manager- Financial Services, to consider the appointment of an Independent Member to the Audit and Accounts Committee as per the CIPFA Best Practice Guidance. The appointment had been a highlighted action following the self- assessment exercise at the Committee meeting on 27 November 2019. The report before Members detailed CIPFA guidance on appointing an independent member, the benefits this could bring to the Committee, as well as cautionary reasons.

AGREED that the Committee reviewed and discussed the proposal to co-opt an independent member onto the Committee and all agreed not to have an Independent Member on the Audit & Accounts Committee.

34 REVIEW OF SIGNIFICANT GOVERNANCE ISSUES HIGHLIGHTED IN THE ANNUAL GOVERNANCE STATEMENT

The Committee considered the report of the Business Manager- Financial Services providing an update on the significant governance issues identified in the Annual Governance Statement. The report to Members heighthed the issues and associated work undertaken.

AGREED the Committee noted the results of the review of significant governance issues as identified in the Annual Governance Statement.

35 RISK MANAGEMENT REPORT

The Safety and Risk Management Officer was in attendance to report to Members on the Council's Risk Management arrangements and the status of the Council's Strategic Risks. The annual strategic risk workshop had been undertaken in July 2019 with SLT during which the Register had been reviewed. The last audit of the Council's Risk Management arrangements, carried out by Assurance Lincolnshire in 2018, identified a substantial level of confidence in service delivery, management of risks and

operation of controls and/or performance.

The Council's Risk Management Group meet on a quarterly basis and the Risk Management Policy is due to be reviewed in April 2020. It was also noted that Internal Audit were undertaking a programmed audit of the Council's risk management systems.

AGREED that the Committee had noted the Council's approach to risk management and the status of the Council's strategic risks.

36 AUDIT COMMITTEE WORK PLAN

The Committee noted the Work Plan and requested that S106 Internal Audit be discussed at next meeting with a representative to attend.

37 DATE OF NEXT MEETING

The next meeting would be held on Wednesday 22 April 2020.

Meeting closed at 10.58 am.

Chairman

AUDIT AND ACCOUNTS COMMITTEE **30 SEPTEMBER 2020**

ANNUAL INTERNAL AUDIT REPORT

1.0 Purpose of Report

1.1 The purpose of the annual internal audit report (**Annex A**) is to provide 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.

2.0 Background Information

2.1 The Annual Internal Audit Report:-

- Includes an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and internal control environment.
- Discloses any qualifications to that opinion, together with the reasons for the qualification.
- Summarises audit work undertaken, including reliance placed on the work of other assurance bodies where applicable.
- Draws attention to any issues that are particularly relevant to the Annual Governance Statement.
- Summarises the performance of the internal audit function against its key performance measures.
- Comments on compliance with standards.

2.2 Whilst we cannot provide absolute assurance on the governance, risk and internal control environment we can provide reasonable assurance that it is working as intended.

2.3 The opinion should be considered as part of the process to prepare the Annual Governance Statement by the Audit and Accounts Committee and relevant Council officers.

3.0 Proposals

3.1 To receive and comment upon the Annual Internal Audit Report 2019/20.

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

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

7.0 RECOMMENDATION(S)

7.1 **That the Audit & Accounts Committee consider and comment upon the annual internal audit report.**

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit Annual Report 2019/20



What we do best...

Innovative assurance services
Specialists in internal audit
Comprehensive risk management
Experts in countering fraud

...and what sets us apart

Unrivalled best value to our customers
**Existing strong regional public sector
partnership**
**Auditors with the knowledge and expertise to
get the job done**
**Already working extensively with the not for
profit and third sector**

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Details of Audits
Details of Limited / Low Assurances
Details of Audit Plan Changes
Details of Overdue Actions
Benchmarking Data
Assurance Definitions
Glossary of Terms

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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.

Purpose of Annual Report

The purpose of the Annual Internal Audit Report is to meet the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015. In particular:-

- Include an opinion on the overall adequacy of and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council can rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supports the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance);
- Draw attention to any issues particularly relevant to the Annual Governance Statement

Annual Opinion

For the twelve months ended 31 March 2020 the Council's arrangements for governance, risk management and control is unaffected by the coronavirus. That said, my opinion needs to be contemporary and take into account its impact on the Council's governance, risk and control environment.

Based on the work we have undertaken and information from other sources of assurance, my opinion on the adequacy and effectiveness of the Council's arrangements for governance, risk management and control is:

<p>Governance</p> 	<p>Performing Adequately – Some improvements/assurance required over the Council's Governance framework and to manage high and medium risks across the Council.</p>
<p>Risk</p> 	<p>Performing Adequately – Some improvements/assurance required over the Council's Risk framework to ensure that high and medium risks are managed across the Council.</p>
<p>Internal Control</p> 	<p>Performing Adequately – Some improvement required to manage high and medium risks in key business areas and other medium risks across the Council.</p>
<p>Financial Control</p> 	<p>Performing Adequately – Some concerns that may affect the Financial governance, risk and control framework and successful delivery of the Council priorities.</p>

This opinion is **qualified** as it is **not possible for us to quantify** the additional risk arising from the Council's response and recovery or the overall impact on the framework of governance, risk management and control.

Governance



"Achieving the Intended Outcomes While Acting in the Public Interest at all Times"

It is comprised of systems, processes, culture and values, by which the Council is directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

Each year the Council is required to reflect on how its governance arrangements have worked – identifying any significant governance issues that it feels should be drawn to the attention of the public – in the interests of accountability and transparency.

There were a number of issues identified in the 2018/19 statement and the latest update of these was presented to the Audit and Accounts Committee in February 2020. Progress has been made to reduce the impact and risk of these on the ongoing business of the Council. The only one which remains an issue is compliance with Financial Regulations re the authorisation of goods, works and services which, whilst reduced, at 54% is still too high.

Significant governance issues identified by the Council in the 2019/20 statement are:

- Development Company
- Re-integration of Housing Management Function

These were both within the 2018/19 Statement as they are long term issues but some progress has been made.

lockdown has had a significant impact on all areas of the public sector. The impact on governance will be felt by all organisations and there will be some aspects experienced by all, for example changes to decision making arrangements and the conduct of meetings. Other aspects will reflect changes to the organisation's priorities and programmes.

We note that the Council's governance arrangements have adapted well to the emergency but as the full impact of the coronavirus is largely unknown we suggest that the Annual Governance Statement includes a significant governance issue - reviewing lessons learned from its response.

The Governance framework



Assessed as Performing Adequately

Governance



The management changes incurred last year are now embedded however, the independent review highlighted some areas of improvement within the political governance of the Council.

A recent review of the governance arrangements has been undertaken by the LGA. The report identified a number of good working practices within the Council including well managed finances, good working relationships and a clear framework in place for 2019 – 2023. There were some areas for improvement with the Team picking out the following:- *‘The political management aspects of the council now need attention and to be brought up to date. A particular area of improvement should be to develop a more transparent and accountable approach with clear roles, responsibilities and functions, which will also help members achieve their ambition of improving engagement with local residents and stakeholders’.* Several recommendations were made around the above statement with the overall aim of completely overhauling the current Committee arrangement to ensure that it provides clearer political ownership and accountability, reducing inefficiencies, improving the speed and transparency of decision making, clearer challenge and stakeholder engagement.

The Audit and Accounts Committee helps to ensure that these arrangements are

working effectively. They review and consider the draft and final versions of the Annual Governance Statement.

The significant changes within the management structure and leadership of the Council last year have now been embedded. There are however some further changes this year with the integration of the Housing Management Function which will have an impact on the structure and governance arrangements going forward. A new Director Post for Housing and Wellbeing has been created and appointed to and once in place a review of the structure within the directorate will be undertaken to ensure that it meets the needs of the Council and is fully resourced.

We have not undertaken a review of Governance since the health check in 2016/17 . We planned to undertake a Governance Review of culture and values in 2019/20 but we have not been able to complete this work due to Covid-19.

Risk



Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability. This puts us in a stronger position to deliver our goals and provide excellent services.

It is not possible to quantify the additional risks arising from the Council's response and recovery to Covid-19 or the overall impact on the framework of governance, risk management and control.

The Council's risk management arrangements were assessed as **Amber** through the combined assurance review. During the review process we found that the Strategic Risks had been updated and a number of them had not been scored.

Management confirmed that action has now been taken to ensure that outstanding strategic risk owners score and implement their risk assessments and action plans. The risk management policy has been revised and is currently going through the review process before adoption. Risk maturity work was also considered at the last Senior Leadership Team workshop and an action plan is being developed.

The Audit and Accounts Committee continues to receive regular updates on how the Council manages its risks.

We were due to carry out an audit of Strategic Risks in the final quarter of this year. A request from the Business Manager was made in March to postpone the review as procedures were being changed and a new policy being written. Unfortunately the implications of Covid-19 has meant that we have not been able to progress this further.

A separate review of the Fraud risks was undertaken facilitated by the Assurance Lincolnshire Counter Fraud Team.

Risk Management assurance



Assessed as Performing Adequately

Internal Control



We take account of the outcome of our audit work during the 2019/20 year. As our audit plans include different activities each year it is not unexpected that assurance varies. However the assurance levels still give insight into the Council's control environment.

Our opinion is based on a number of sources of intelligence including the outcome of our internal audit work, through the combined assurance work and other sources.

Whist the control environment up to 31st March 2020 has largely been unaffected by the coronavirus - emergency measures implemented have resulted in a significant level of strain being placed on normal procedures and control arrangements. The level of impact is also changing as the situation develops. The full impact is unknown and some post assurance will be required.

We have seen a slight increase in the number of audits given a Limited level of assurance. These are

- Key Controls – Health and Safety
- Key Controls – Absence Management
- Building Control – Client side
- Community Centres
- ICT Incident Management

A summary of these audits can be found in appendix 2.

We have also been involved in a number of consultancy pieces of work this year which have highlighted areas of improvement in control around the

management of customer debt, commercial rental income and contract management.

Processes have now been put into place to ensure that actions are implemented by the due dates and reports receiving Limited assurance opinions are monitored more closely by the Audit and Accounts Committee.

The Council has made good progress in implementing agreed improvement actions arising from our work. During the year we have agreed 54 actions to address recommendations for improvement, 4 of these were not confirmed as complete at their due date – see appendix 4 for full details.

As shown in the following page the level of assurance has declined slightly since last year and there remains a number of key areas which received amber assurance.

Internal Control assurance



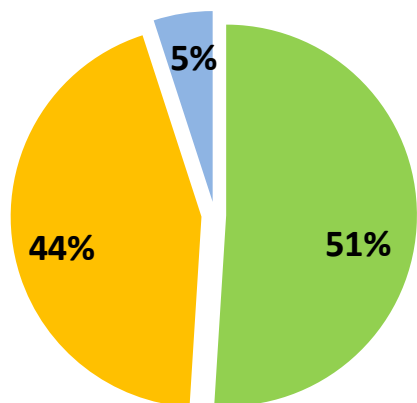
Assessed as **Performing**
Adequately



A Combined Assurance Status report has been produced this year collating information from each Director and Business Manager on the level of confidence they can provide on service delivery arrangements, management of risks, operation of controls and performance for their area of responsibility. This information provides key assurance evidence to support the Head of Internal Audit opinion.

Combined Assurance

Overall Assurance Status 19/20



■ High ■ Medium ■ Low ■ Unknown

High levels of assurance have decreased by 5% since 2018/19



There remain no areas of low assurance. Management consider that the increase in Medium assurance reflects the Council's forward plan of action and the increasing variety and complexity in the operating and governance arrangements. Amber areas are:-

Communities and Environment

Business Continuity, Emergency Planning, and CCTV.

Growth and Regeneration

Land Charges, Town Centre Development and Tourism/Newark Castle

Governance and Organisational Development

Corporate Policy, Human Resources, Risk Management and Health and Safety

Resources and Deputy Chief Executive

Contract Management, Project / Programme Management, Commercialisation, Asset Register, Insurance, VAT, Financial Regulations, Procurement, Debtors, Strategic Asset Management, Energy/Carbon Management, Estates Management and Car Parks.

ICT

Governance, Compliance and applications.

Financial Control



Our audit plans include providing assurance over our key financial systems, the level of risk influences frequency.

Our work provides an important assurance element to support the External Auditor's opinion on the Council's Statement of Accounts.

During the year we reviewed:

- Financial Strategy and Modelling – **High Assurance**
- Key control testing – **Substantial Assurance** for the Financial areas
- Capital Programme – **Substantial Assurance**
- Pay and Grading – **Substantial Assurance**
- Procurement Client side – **Substantial Assurance**

There have been a number of changes made within the Financial Services Team and processes. Some of these have involved seeking advice from ourselves demonstrating an awareness of the potential impact of changes on the overall control environment.

There were some areas of weakness impacting on the wider financial control environment referred to within the general internal control assessment and governance areas above.

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.

Financial Services have been involved in carrying out a review of the process for debtors with revised processes and resources being put into place to ensure that all outstanding debts are followed up in a timely manner and action instigated where appropriate.

The service is in the process of implementing an upgrade to the Financial management system and we have been asked to advise on this. This will assist in providing assurance over the process.

The impact of Covid-19 will have a major impact on the Council's finances. This impact is unlikely to be fully realised until recovery is complete. The combination of remote working, staff redeployment and the swift introduction of new processes heightens the risk around financial control.

Financial Control assurance



Assessed as **Performing Adequately**

Agenda Page 20



The Council is responsible for establishing and maintaining risk management processes, control systems and governance arrangements. Internal Audit plays a vital role in providing *independent risk based and objective assurance* and *insight* on how these arrangements are working. Internal Audit forms part of the Council's assurance framework.

Scope of Work

Our risk based internal audit plan was prepared taking into account the critical activities and key risks to support the basis of my annual opinion. It has remained flexible to enable us to respond to emerging risks and maintain effective focus.

The Audit Committee approved the 2019/20 audit plan of **285 days** in February 2019. We have delivered 78% of the plan. Details on revisions to the plan can be found in Appendix 3.

Restriction on Scope

In carrying out our work we identified no unexpected restrictions to the scope of our work.

We have had a number of difficulties this year which has impacted on our ability to complete the full plan within the expected timescales. In summary these include:-

- Gaining access to some staff
- Receiving responses from some staff
- Obtaining approval to issue draft reports
- Postponing/delaying audit at the last minute

- Staff absences and changes within NSDC
- Internal changes in our team contributing to some of the delays.

We secured additional resources to complete the plan this year (subject to access to auditees) but unfortunately the implications of Covid-19 meant that these resources could not be deployed.

We propose to review the 2020/21 plan – taking into account the current risk profile and recovery plan – focussing on where we can add most value and assurance to the Council. We will also seek to work with the Council to address the issues identified in the audit process.

I do not consider the restrictions and changes to the plan to have had an adverse effect on my ability to deliver my overall opinion. The combined assurance model adopted by the Council helped in this regard.

We have not experienced any impairment to our independence or objectivity during the conduct and delivery of the Internal Audit Plan.

Our Work



We recognise the importance of meeting customer expectations as well as conforming to the UK Public Sector Internal Audit Standards (PSIAS). We continually focus on delivering high quality audit to our clients – seeking opportunities to improve where we can.

Quality Assurance

Our commitment to quality begins with ensuring that we recruit develop and assign appropriately skilled and experienced people to undertake your audits.

Our audit practice includes ongoing supervisory reviews for all our assignments. These reviews examine all areas of the work undertaken, from initial planning through to completion and reporting. Key targets have been specified - that the assignment has been completed on time, within budget and to the required quality standard.

There is a financial commitment for training and developing staff. Training provision is continually reviewed through the appraisal process and regular one to one meetings.

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.

Our quality assurance framework helps us maintain a continuous improvement plan, which includes the following:

- Update Internal Audit Charter and practice manual following revision of PSIAS in April 2017 and CIPFA Application Note.
- Working with senior management to improve progress and delivery monitoring / audit scheduling
- Support development of the Audit & Accounts Committee, following publication of CIPFA Audit Committee practical guidance
- Continuing professional development around new and emerging practice guidance.

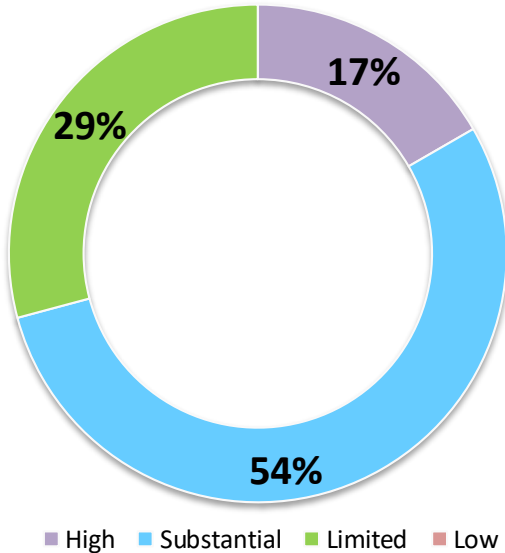
Although internal and external auditors carry out their work different objectives in mind, many of the processes are similar and it is good professional practice that they should work together closely. Wherever possible, External Audit will place reliance and assurance upon internal audit work where it is appropriate.

Assurance Lincolnshire were winners of CIPFA's Public Finance Awards 2019 for its work around Governance - Culture and Values.



Our audit plan includes different activities each year – it is therefore not unexpected that these vary; however, the assurance levels do give an insight on the application of the Council's control environment and forms part of the evidence that helped inform the overall annual opinion.

Assurances



Increase in Low and Limited Assurance on last year

16%

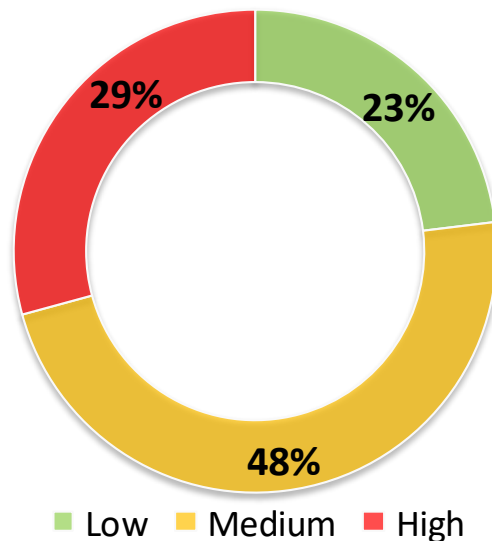
Decrease in High and Substantial Assurance on last year



Recommendations

2%
increase in high priority recommendations

Medium priority recommendations have reduced
7%



Further details can be found on Agenda Page 42 and 5 including outstanding recommendations



Internal Audit's performance is measured against a range of indicators. The graph shows our performance on key indicators at the end of the year. We are pleased to report a good level of achievement in contemporary reporting (timescales) and issuing reports. An area of improvement is around plan completion which has declined this year due to a number of factors including those detailed within the previous section 'Our Work'.

Performance on Key Indicators

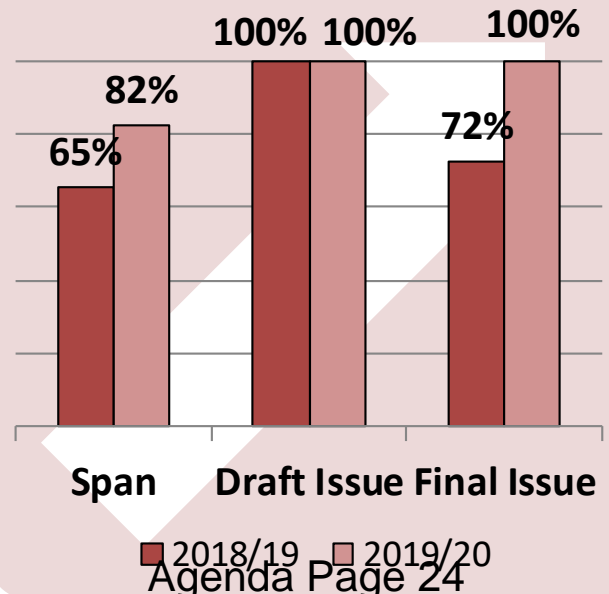
100%

Rated our service Good to Excellent

Some decline in achievement of Audit KPI's

78%

Of revised plan delivered



Audit	Rating	Type	High	Medium	Advisory	Total
Commercialisation	In progress	Risk Based Audit				0
Mansfield Crematorium	Complete	Financial	N/A	N/A	N/A	0
Customer Comments	Substantial	Risk Based Audit	0	3	1	4
Pay and grading	High	Risk Based Audit	0	0	2	2
Financial Strategy and Modelling	High	Risk Based Audit	0	0	0	0
Community Centres	Limited	Risk Based Audit	0	3	2	5
Building Control	Limited	Risk Based Audit	4	0	0	4
Newark Cattlemarket	Complete	Financial	N/A	N/A	N/A	0
Corporate Planning	Postponed to 2020/21	Risk Based Audit	N/A	N/A	N/A	0
ICT Incident Management	Indicative - Limited	Risk Based Audit	6	3	1	10
Workforce changes and succession planning within the Council including changes within the management team	Postponed to 2020/21	Risk Based Audit	N/A	N/A	N/A	0
Performance	Indicative - Substantial	Risk Based Audit	0	1	0	1
Buttermarket	In progress	Risk Based Audit				0
Gilstrap	Completed	Financial	N/A	N/A	N/A	0
Budgetary Control /Management	Postponed to 2020/21	Risk Based Audit	N/A	N/A	N/A	0
Sub total			10	10	6	26

During the year we have issued a number of limited assurance opinions, in summary these are:

Community Centres – our review looked to provide assurance that the Community Centre buildings are effectively managed supporting the Council’s values.

The Council need to have an understanding of how the centres are performing to be able to minimise risk, be assured that they and their assets are protected and to provide an overview of what value centres are adding.

Recommendations are focused on creating a structure for monitoring community centres so that all checks and communications are completed and documented in one place and ensuring that the value they add to achieving the Community Plan objectives is reported.

Key Controls – Health and Safety* – We took a high level review of the processes to ensure that Health and Safety legislation is embedded and adhered to.

We found that despite raising some issues in the 2017/18 audit, policies and the importance of risk assessments are still not fully embedded throughout the Council. Responsibilities are not being complied with which could potentially expose the Council to HSE penalties, sanctions and damaged reputation.

Recommendations have been made around the risk assessments, communication of responsibilities and accountability for fulfilling those responsibilities.

Key Controls – Absence Management* -

Whilst there is a Policy and toolkit in place we found that these were several years old (2016 and 2014 respectively) and were not being fully complied with as processes had changed. The issues raised increase the potential for fraud and abuse as absences are not authorised, followed up or potentially overpaid if not correctly recorded and trigger points reached. Management are also unable to accurately monitor the absences and put processes in place where possible to reduce future absences.

Recommendations include carrying out compliance checks, reviewing reporting arrangements and reviewing the Policy and toolkit.

Building Control* – This review looked at the Councils monitoring arrangement for the Building Control contract.

The area had incurred some challenges due to the vacancy of a Business Manager for some time. Therefore monitoring of the contract had been limited. It was identified that a large proportion of the information for the monitoring comes directly from the Partnership Board Meetings

Performance data is limited to what they provide with no further monitoring carried out to ensure the partnership provides value for money or is meeting the initial objectives. The business case has also not been updated annually as required within the contract

ICT Incident Management* – Our audit reviewed the processes to ensure that ICT incidents are promptly identified, recorded and investigated.

The review found that the Council does not have an effective reporting facility for staff and contractors to convey their concerns and when concerns are raised they are not always handled effectively utilising the most appropriate staff. The incident handling procedure has not been reviewed in at least 5 years. Lessons learnt are also not reflected on.

Recommendations have been made to improve the assurance levels within these audits which are continuously monitored and reported. These are summarised within Appendix 5.

The approved plan was 285 days and the changes made resulted in the plan days remaining the same.

A number of audits were removed from the original audit plan – these were due to a combination of:

- changes being requested by management - so the timing of the audit adds more value
- management could not accommodate the audit in their work plan before the end of the year
- re-prioritising audit resources to those of highest risk

Outlined below are the areas that have been removed from the original plan:

- Budgetary Control / Management
- Workforce changes and succession planning within the Council including changes within the management team (Originally postponed from 2018/19)
- General Ledger / Financial Reporting
- Corporate Planning
- Newark Cattlemarket – Risk Based Audit
- Full performance audit – follow-up completed

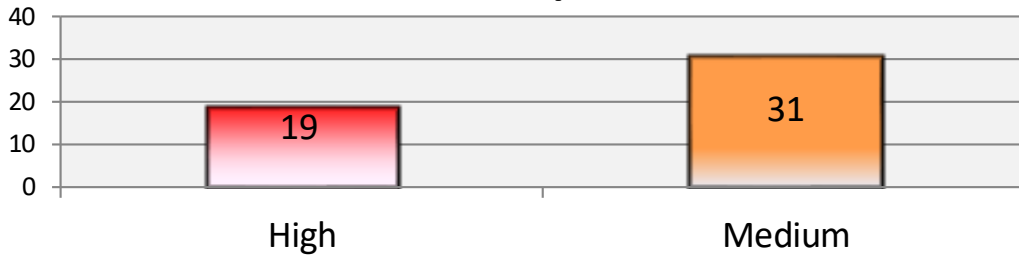
Two of these have been included in the 2020/21 plan, one has been removed

completely due to an internal review being undertaken and the remaining three were cancelled after the 2020/21 plan was produced so will need to be considered as potential changes to this plan.

During the year we were also requested to undertake the following additional work:

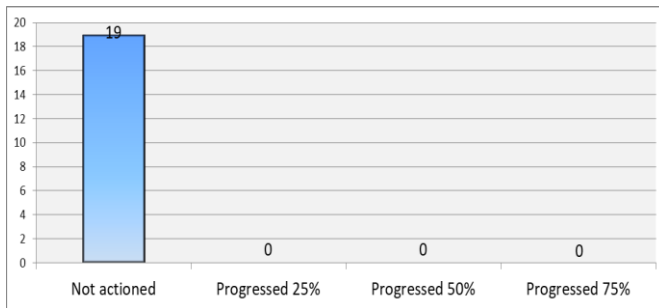
- Sherwood Forest Arts and Craft Centre
- Lorry Wash
- Ranch Café
- Debtors
- S106
- Governance Review

Overall Actions remaining to be implemented for 2019/20 audits



High Priority Actions remaining to be implemented

Overall

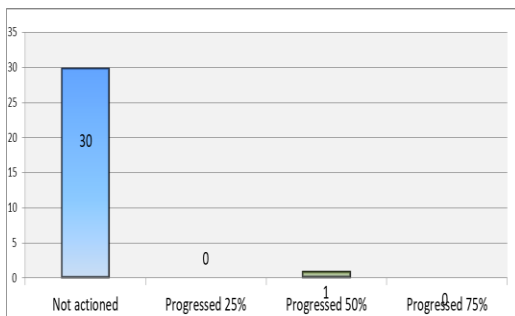


Overdue

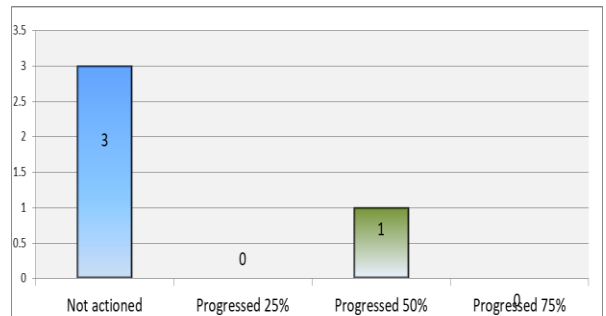


Medium Priority Actions remaining to be implemented

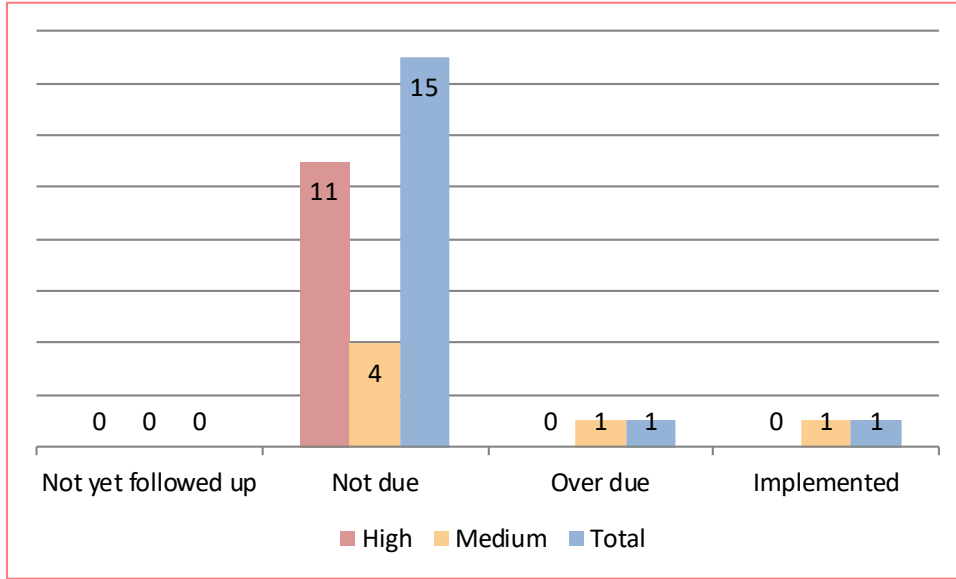
Overall



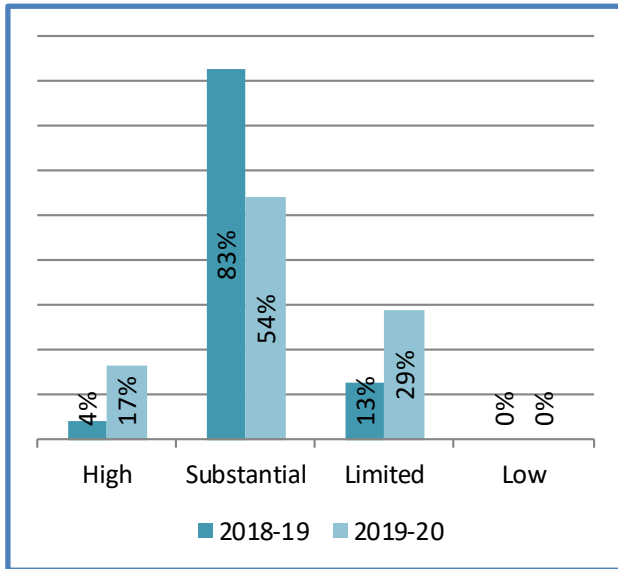
Overdue



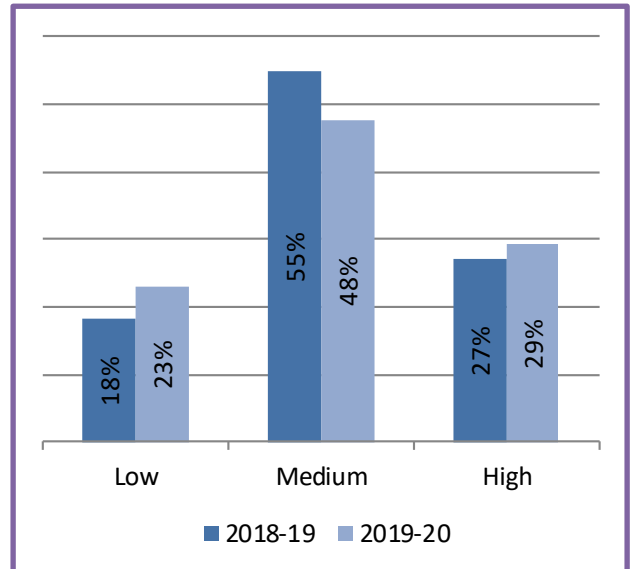
Status of Actions within Limited or Low reports for 2019/20



Comparison of Assurances



Comparison of Recommendations



Performance on Key Indicators

Performance Indicator	Annual Target	Actual
Percentage of plan completed (based on revised plan)	100%	78%
Percentage of recommendations agreed	100%	100%
Percentage of 2019/20 Actions implemented	100% or escalated	67%
Timescales:		
Draft Report issued within 10 days of completion	100%	100%
Final Report issued within 5 days of management response	100%	100%
Draft Report issued within 2 months of fieldwork commencing	80%	82%
Client Feedback on Audit (average)	Good to excellent	Good*

*Only 1 returned

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.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Head of Internal Audit Annual Opinion

The rating, conclusion and/or other description of results provided by the Head of Internal Audit addressing, at a broad level, governance, risk management and/or control processes of the organisation. An overall opinion is the professional judgement of the Head of Internal Audit based on the results of a number of individual engagements and other activities for a specific time interval.

Governance

Comprises the arrangements (including political, economic, social, environmental, administrative, legal and other arrangements) put in place to ensure that the outcomes for intended stakeholders are defined and achieved.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management - plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

TREASURY MANAGEMENT OUTTURN REPORT 2019/20

1. Purpose of Report

- 1.1. The purpose of this report is to give Members the opportunity to review the annual Treasury Outturn report which will be presented to Council on 13 October 2020 (copy attached at **Appendix A**).

2. Introduction

- 2.1. In January 2010 the Council formally adopted the CIPFA Code of Practice on Treasury Management which requires that the Council receives regular reports on its treasury management activities including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 2.2. The Council delegates responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Audit and Accounts Committee and for the execution and administration of treasury management decisions to the section 151 officer, who will act in accordance with the Council's policies and practices.
- 2.3. The Treasury Strategy and Prudential Indicators for 2019/20 were approved by Council on 7 March 2019 and the Outturn report is the last report for the financial year, required by the Code. It has been prepared on the basis of the draft final accounts which appear elsewhere on the agenda. If there are significant changes resulting from the audit of the accounts they will be reported at the next meeting of this Committee.
- 2.4. The report in section 6 details that there were no breaches of the approved prudential indicators during 2019/20.

3. RECOMMENDATION

That the Treasury Outturn position for 2019/20 be considered.

Background Papers

Nil

For further information please contact Andrew Snape on extn. 5532

Nick Wilson
Business Manager Financial Services

ANNUAL TREASURY REPORT 2019/20

1. Background

- 1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.2 Treasury management is defined as: 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
- 1.3 Overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management strategy.

2 Economic Background

- 2.1 **UK Brexit.** The main issue in 2019 was the repeated battles in the House of Commons to agree on one way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU on 31 October 2019. The House of Commons duly frustrated that renewed effort and so a general election in December settled the matter once and for all by a decisive victory for the Conservative Party: that then enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the virus.
- 2.2 **Economic growth** in 2019 has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 dire at -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% y/y. 2020 started with optimistic business surveys pointing to an upswing in growth after the ending of political uncertainty as a result of the decisive result of the general election in December settled the Brexit issue. However, the three monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed as a result of the coronavirus outbreak. It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the end of the lock down period, when the end of the lock down will occur, whether there could be a second wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

- 2.3 After the Monetary Policy Committee raised **Bank Rate** from 0.5% to 0.75% in August 2018, Brexit uncertainty caused the MPC to sit on its hands and to do nothing until March 2020; at this point it was abundantly clear that the coronavirus outbreak posed a huge threat to the economy of the UK. Two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in **quantitative easing (QE)**, essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank were also very concerned to stop people losing their jobs during this lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country is locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have little or no income. However, at the time of writing, this leaves open a question as to whether some firms will be solvent, even if they take out such loans, and some may also choose to close as there is, and will be, insufficient demand for their services. At the time of writing, this is a rapidly evolving situation so there may be further measures to come from the Bank and the Government in April and beyond. The measures to support jobs and businesses already taken by the Government will result in a huge increase in the annual budget deficit in 2020/21 from 2%, to nearly 11%. The ratio of debt to GDP is also likely to increase from 80% to around 105%. In the Budget in March, the Government also announced a large increase in spending on infrastructure; this will also help the economy to recover once the lock down is ended. Provided the coronavirus outbreak is brought under control relatively swiftly, and the lock down is eased, then it is hoped that there would be a sharp recovery, but one that would take a prolonged time to fully recover previous lost momentum.
- 2.4 **Inflation** has posed little concern for the MPC during the last year, being mainly between 1.5 – 2.0%. It is also not going to be an issue for the near future as the world economy will be heading into a recession which is already causing a glut in the supply of oil which has fallen sharply in price. Other prices will also be under downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not likely in the UK.
- 2.5 **Employment** had been growing healthily through the last year but it is obviously heading for a big hit in March – April 2020. The good news over the last year is that wage inflation has been significantly higher than CPI inflation which means that consumer real spending power had been increasing and so will have provided support to GDP growth. However, while people cannot leave their homes to do non-food shopping, retail sales will also take a big hit.
- 2.6 **WORLD GROWTH.** The trade war between the US and China on tariffs was a major concern to financial markets and was depressing worldwide growth during 2019, as any downturn in China would spill over into impacting countries supplying raw materials to China. Concerns were particularly focused on the synchronised general weakening of growth in the major economies of the world. These concerns resulted in government bond yields in the developed world falling significantly during 2019. In 2020, coronavirus is the big issue which is going to sweep around the world and have a major impact in causing a world recession in growth in 2020.

3.0 Local Context

- 3.1 During 2019-20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 3.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.
- 3.3 The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- 3.4 The Council's Capital Financing Requirement (CFR) at 31 March 2020 was £133m, while usable reserves and working capital which are the underlying resources available for investment were £58.028m.
- 3.5 The Council has an increasing CFR over the next 2 years of £25m, due to the borrowing requirement of £33.4m (GF £18.6m / HRA £14.7m) for financing the capital programme over the forecast period, if reserve levels permit internal borrowing will be considered. The CFR reduces when Minimum Revenue Provision (MRP) are made and the repayment of debt, over the forecast period there are two loans due for repayment with a combined total value of £4m.

4 Borrowing Strategy

4.1 Borrowing Activity in 2019/20

	Balance 1/4/19 £000	New Borrowing £000	Debt Maturing £000	Balance 31/3/20 £000
CFR	131,627			132,900
Short Term Borrowing	4,983	12,787	16,700	8,597
Long Term Borrowing	90,081	3,300	2,024	83,830
Total Borrowing	95,064	16,087	18,724	92,427
Other Long Term Liabilities	224	0	0	224
Total External Debt	95,288	16,088	18,724	92,651
Increase/(Decrease) Borrowing £000				(2,637)

- 4.2 The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Authority's long-term plans change being a secondary objective.

4.3 The Council has an increasing CFR due to the capital programme and an estimated borrowing requirement as determined by the Liability Benchmark which also takes into account usable reserves and working capital. Having considered the appropriate duration and structure of the Council's borrowing need based on realistic projections, it was decided to take a combination of medium-term borrowing maturity loan during the year, details of which are below.

Long-dated Loans borrowed	Amount £000	Rate %	Period (Years)
Other Local Authority Loan	3,300	1.5	3

4.4 **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 year, none of which were exercised by the lender.

4.5 **Debt Rescheduling:** The premium charge for early repayment of PWLB debt remained relatively expensive for the loans in the Council's portfolio and therefore unattractive for debt rescheduling activity. No rescheduling activity was undertaken as a consequence.

5 Investment Activity

5.1 The Council's investment policy is governed by MHCLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 7 March 2019. The policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.). During 2019/20 the Council's investment balances have ranged between £37.9 and £64.2 million.

	Balance 1/4/19 £000	New Investments £000	Investments Redeemed £000	Balance 31/3/20 £000
Short Term Investments	41,370	170,441	180,852	30,459
Long Term Investments	0	7,500	0	7,500
Total Investments	41,370	177,941	180,852	38,459
Increase/(Decrease) in Investments £000				(2,911)

5.2 Security of capital remained the Council's main objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2019/20.

5.3 Counterparty credit quality is assessed and monitored by Link, the Council's treasury advisors, with reference to credit ratings; credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. Link provide recommendations for suitable counterparties and maximum investment periods.

6 Compliance with Prudential Indicators

6.1 The Council can confirm that it has complied with its Prudential Indicators for 2019/20, which were set on 7 March 2019 as part of the Council's Treasury Management Strategy Statement.

6.2 **Interest Rate Exposure:** These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates for both borrowing and investments. The upper limit for variable rate exposure allows for the use of variable rate debt to offset exposure to changes in short-term rates on our portfolio of investments.

	Approved Limit for 2019/20 %	Maximum during 2019/20 £m
<u>Fixed Rate</u>		
Borrowing	100%	99%
Investments	75%	21%
<i>Compliance with Limit</i>		Yes
<u>Variable Rate</u>		
Borrowing	20%	1%
Investments	100%	79%
<i>Compliance with Limit</i>		Yes

6.3 **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt and control the Council's exposure to refinancing risk.

	Upper Limit %	Fixed Rate Borrowing 31/03/20 £m	Fixed Rate Borrowing 31/3/20 %	Compliance?
Under 12 months	15%	16.009	17%	Yes
12 months to 2 years	15%	3.029	3%	Yes
2 years to 5 years	30%	18.403	19%	Yes
5 years to 10 years	100%	24.336	25%	Yes
10 years and above	100%	35.040	36%	Yes

6.4 **Principal Sums Invested for over 364 Days.** All investments were made on a short-term basis and there were no investments for more than 364 days.

6.5 **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 2019/20; borrowing at its peak was £93.3m.

	Approved Operational Boundary 2019/20 £m	Authorised Limit 2019/20 £m	Actual External Debt 31/03/20 £m
Borrowing	137.6	142.6	92.4
Other Long Term Liabilities	0.4	0.6	0.2
Total	138.0	143.2	92.6

- 6.6 In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary of the treasury management activity during 2019/20. A prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.
- 6.7 The Council also confirms that during 2019/20 it complied with its Treasury Management Policy Statement and Treasury Management Practices.

AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

ANNUAL EXTERNAL AUDIT STRATEGY MEMORANDUM 2019/20

1.0 Purpose of Report

- 1.1 To present the External Audit Strategy Memorandum for the 2019/20 Statement of Accounts work and Value for Money Conclusion.

2.0 Introduction

- 2.1 The External Audit Strategy Memorandum would ordinarily be brought to this committee in April prior to the commencement of the audit of the financial statements and the Value for Money conclusion, however due to the Coronavirus Epidemic both the April and July committee were cancelled.
- 2.2 The External Audit Strategy Memorandum (**Appendix A**) sets out the proposed work of the Council's external auditors for 2019/20, relating to the audit of the financial statements and the Value for Money conclusion.
- 2.3 The strategy describes the audit approach, the key financial statement audit risks and the Value for Money audit approach. It details the audit team, the deliverables from the work, the timeline and the planned audit fee.

3.0 RECOMMENDATION

That the Committee notes the External Audit Strategy Memorandum.

Background Papers

Nil

For further information please contact Jon Machej on 0115 964 4782.

Nick Wilson
Business Manager – Financial Services



Audit Strategy Memorandum

Newark and Sherwood District Council

Year ending 31 March 2020





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for Money
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to Newark and Sherwood District Council. It has been prepared for the sole use of the Audit and Accounts Committee as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Audit and Accounts Committee Members
Newark and Sherwood District Council
Castle House
Great North Road
Newark
Nottinghamshire
NG24 1BY

25 March 2020

Dear Sirs / Madams

Audit Strategy Memorandum – Year ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for Newark and Sherwood District Council for the year ending 31 March 2020.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Newark and Sherwood District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0115 964 4779.

Yours faithfully



David Hoose
Mazars LLP

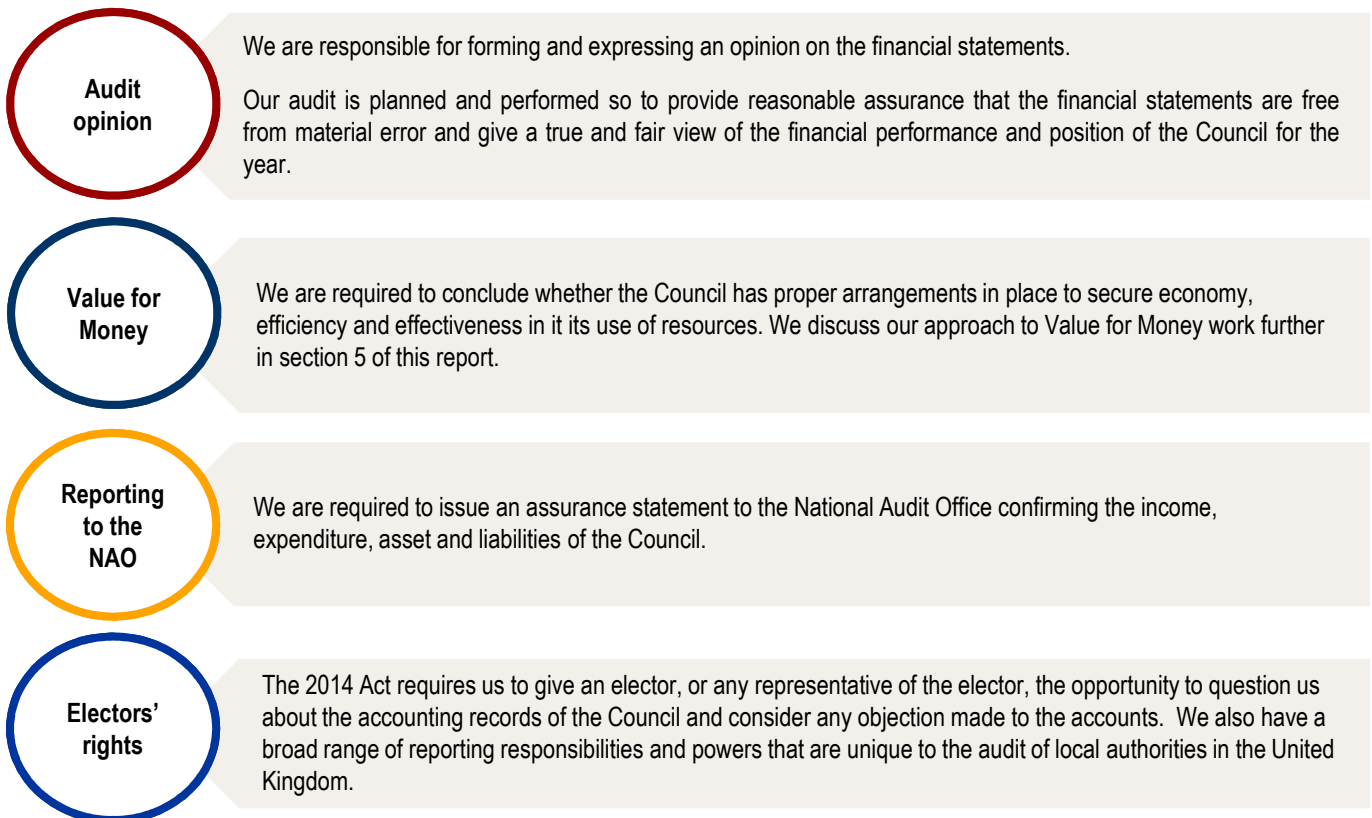
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Newark and Sherwood District Council (the Council) for the year to 31 March 2020. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>.

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:



Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit and Accounts Committee as those charged with governance.



2. YOUR AUDIT ENGAGEMENT TEAM



David Hoose

Partner and Engagement Lead

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Manager

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Toz Hanif

Assistant Manager

E-Mail: toz.hanif@mazars.co.uk

Tel: 07823 521 343

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

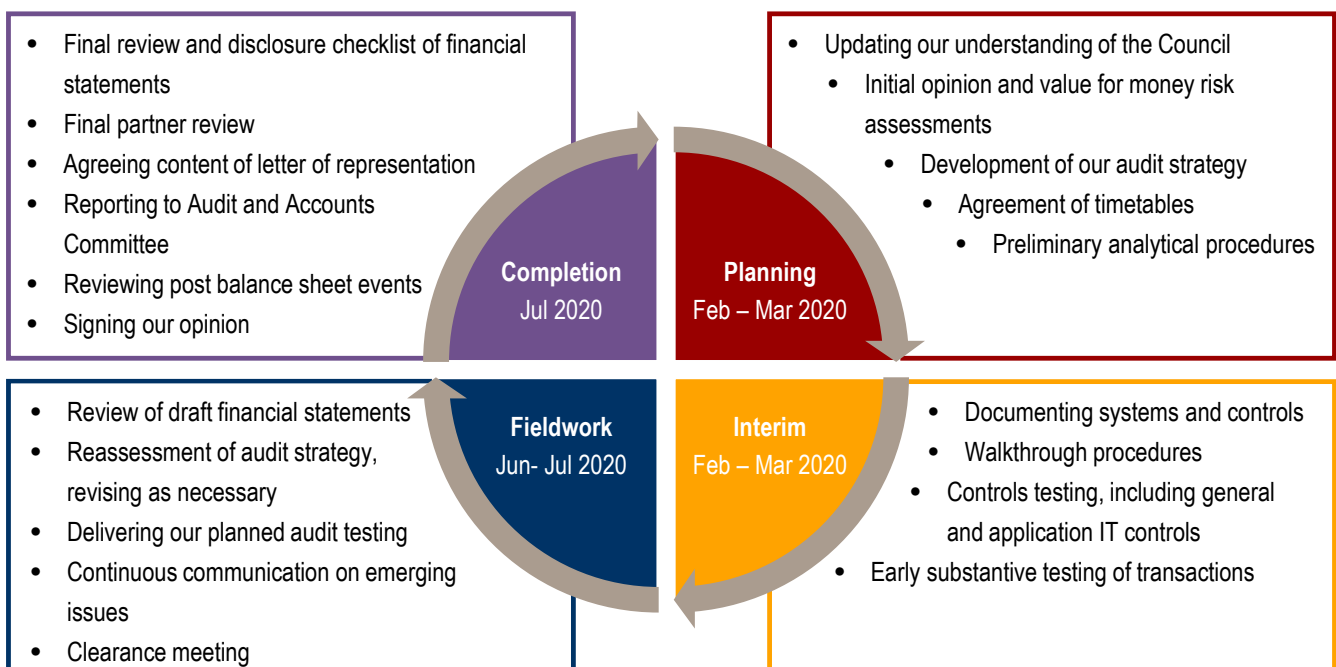
Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work of internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Pensions liability	Barnett Waddingham LLP <i>Actuary for Lincolnshire Pension Fund</i>	PwC LLP <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	Wilks, Head and Eve LLP <i>The Council's external valuer</i>	Not applicable
Business rate appeals provisions	InformCPI <i>External rating specialist</i>	Not applicable
Financial instrument disclosures	Link Asset Services <i>Treasury management advisors</i>	Not applicable

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Pensions liability	Nottinghamshire Pension Fund <i>The IAS 19 pension entries that form part of the Council's financial statements are material and are derived from actuarial valuations. The process of obtaining these is co-ordinated by and uses information held and processed by the service organisation.</i>	We will review the controls operating at the Council over these transactions to gain an understanding of the services provided by the service organisation. Where we conclude that we do not have a sufficient understanding of the services provided by the service organisation we will seek to obtain assurance by using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organisation.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

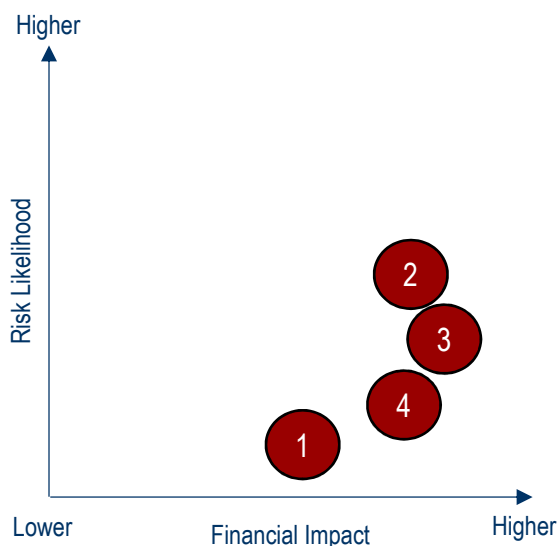
Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

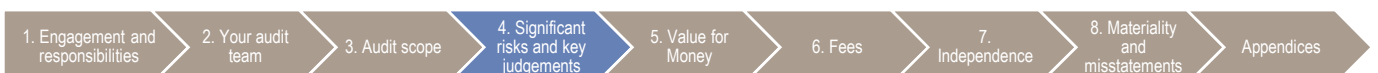
Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.

At the time of writing this memorandum we are yet to complete our detailed risk assessment work over the Council's key financial systems and general IT controls. We aim to complete this work as part of our interim visit in March and will update the Audit and Accounts Committee where we subsequently identify any additional risks.



Risk	
1	Management override of controls
2	Property, plant and equipment valuation
3	Pensions liability valuation
4	Transfer of Newark and Sherwood Homes' activities



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>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 there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Valuation of property, plant and equipment and assets held for sale</p> <p>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 have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of property, plant & equipment and assets held for sale we will:</p> <ul style="list-style-type: none"> • Critically assess the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; • Consider 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; • Assess whether valuation movements are in line with market expectations by reference to alternative sources of valuation data to provide information on regional valuation trends; • Critically assess 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 • Critically assess 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.

1. Engagement and responsibilities

2. Your audit team

3. Audit scope

4. Significant risks and key judgements

5. Value for Money

6. Fees

7. Independence

8. Materiality and misstatements

Appendices

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Significant risks (continued)

	Description of risk	Planned response
3	<p>Valuation of net pensions liability</p> <p>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 have determined there is a significant risk in this area.</p>	<p>In relation to the valuation of the Council's pensions liability we will:</p> <ul style="list-style-type: none"> • Critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham LLP; • Liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include 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; • Review 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 will include comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office; and • Agree 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.
4	<p>Transfer of Newark and Sherwood Homes' activities</p> <p>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 have determined there is a significant risk in this area.</p>	<p>In relation to the transfer of Newark and Sherwood Homes' activities we will:</p> <ul style="list-style-type: none"> • Consider 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; • Test related transactions at the Council to provide assurance over the transfer values included in the Council's 2019/20 accounts; and • Ensure that the Council has made appropriate disclosures to reflect the transfer of Newark and Sherwood Homes' activities.

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

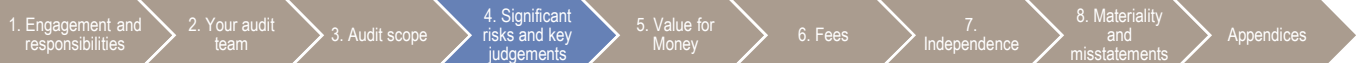
Consideration of other mandatory risks

Auditing standards require us to consider two standard risks for all organisations:

- Management override of controls; and
- Fraudulent revenue recognition.

We have already considered and identified management override of controls as a significant risk above. We set out our considerations in respect of fraudulent revenue recognition in the table below:

	Description of risk	Planned response
1	<p>Fraudulent revenue recognition</p> <p>Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable.</p>	<p>We do not consider this to be a significant risk for Newark and Sherwood District Council as:</p> <ul style="list-style-type: none"> • there is an overall low risk for local authorities, and particularly this Council; • there are no particular incentives or opportunities to commit material fraudulent revenue recognition; and • the level of income that does not derive from either grant or taxation sources is low relative to the Council's overall income streams, and generally represents a number of low value, high volume transactions. <p>We therefore rebut this risk and do not incorporate specific risk procedures over and above our standard fraud procedures to address the management override of controls risk.</p>

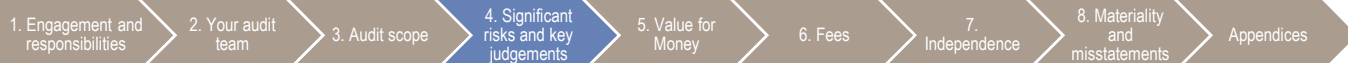


4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<p>Debt impairment</p> <p>Uncertainty exists that, in the current economic climate, the Council's provision for the impairment of doubtful debts would be sufficient.</p>	<p>We plan to address this judgement by:</p> <ul style="list-style-type: none"> • 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.
2	<p>Provision for business rate appeals against the rating list</p> <p>Management need to make an assumption over the likely level of appeals that will be successful based on their rating knowledge.</p>	<p>We plan to address this judgement by:</p> <ul style="list-style-type: none"> • 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.



5. VALUE FOR MONEY

Our approach to Value for Money

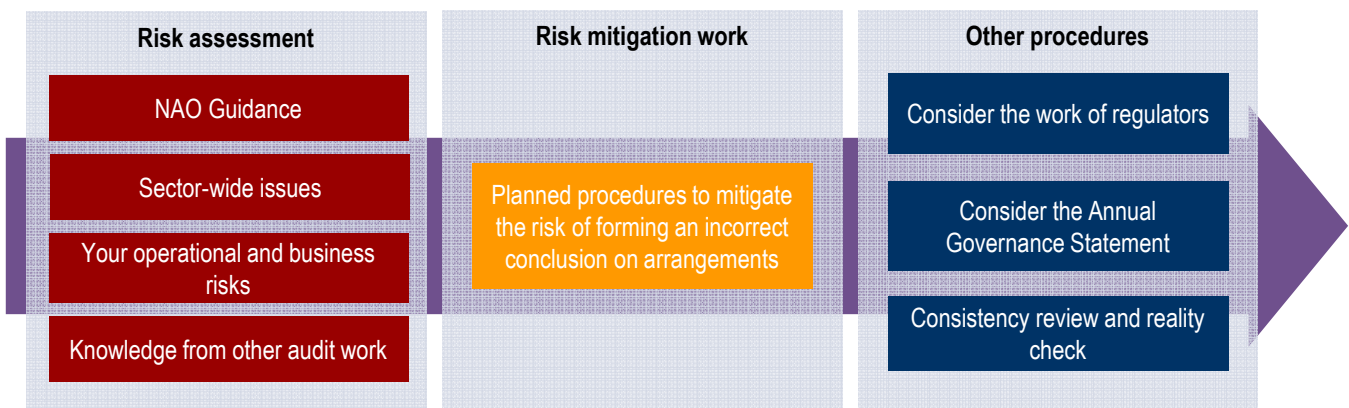
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

A summary of the work we undertake to reach our conclusion is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) 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 outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2019/20 financial year, we have not identified any significant risks to our VFM conclusion. We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to the Audit and Accounts Committee as part of our Audit Completion Report.



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we expect to need to reflect the scale fee set by PSAA as communicated in our fee letter of 25 April 2019 and other matters listed below

Service	2018/19 fee (£)	2019/20 fee (£)
Code audit work – scale fee	37,213	37,213
Additional work to reflect the cost of audit work on the consolidation of further entities falling with the Council's group boundary	-	To be agreed
Additional work in response to regulatory recommendations to increase level of audit work on defined benefit liability schemes.	-	To be agreed
Additional work in response to regulatory recommendations to increase level of audit work on the valuation of property plant and equipment.	-	To be agreed
Total	34,711	To be agreed

In common with all local government external auditors we are required to carry out additional procedures which were not expected when fees were set.

Regulatory recommendations

We continually strive to maintain high standards of audit quality. One mechanism for doing this is to consider the outcome of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers. In particular we are planning increases in the level of work we do on:

- defined benefit pension schemes; and
- valuation of property, plant and equipment

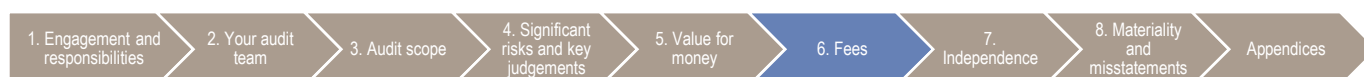
We will discuss the driving factors with Council officers and the audit fee for 2019/20 will be revisited to reflect the increased level of work that was not considered when the scale fee was set. Any agreed additional fee is also subject to detailed scrutiny by the PSAA as part of the approval process.

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2018/19 fee (£)	2019/20 fee (£)
Assurance services: Housing Benefits Subsidy	5,500	5,500 *
Assurance services: Housing Pooling Return	3,250	To be agreed

* - These fees are subject to a CPI uplift based on the rate at 1 April 2020 (capped at 2.5%).



7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

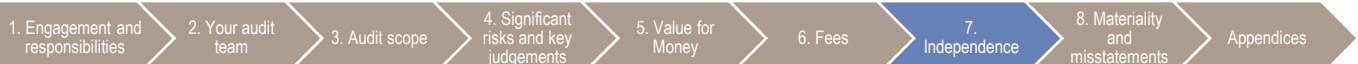
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with David Hoose in the first instance.

Prior to the provision of any non-audit services David Hoose will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

Principal threats to our independence and identified associated safeguards are set out below. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Service	Considerations
Assurance services: Housing Benefits Subsidy Housing Pooling Return	<p>We have considered threats and safeguards as follows:</p> <ul style="list-style-type: none"> • Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars; • Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis; • Management: The work does not involve Mazars making any decisions on behalf of management; • Advocacy: The work does not involve Mazars advocating the Council to third parties; • Familiarity: Work is not deemed to give rise to a familiarity threat given this piece of assurance work used to fall under the Audit Commission / PSAA certification regimes and was the responsibility of the Council's appointed auditor; and • Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Group materiality	Council single-entity materiality
Overall materiality	£2,181,000	£2,100,000
Performance materiality	£1,635,000	£1,575,000
Trivial threshold for errors to be reported to the Audit and Accounts Committee	£65,000	£63,000

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

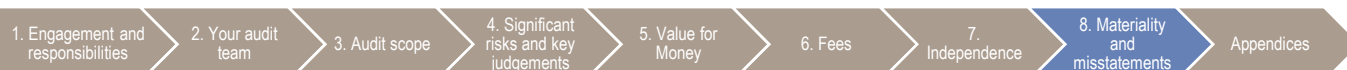
The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of total gross expenditure. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Accounts Committee.

We consider that total gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We have set our materiality threshold at 2.0% of the benchmark based on the 2018/19 audited financial statements.



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

Based on the 2018/19 audited financial statements we anticipate the overall materiality for the year ending 31 March 2020 to be £2,181,000 for the audit of the Group financial statements and £2,100,000 for the audit of the Council's single entity financial statements.

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. In setting performance materiality we have taken into account that this is our second year of audit, we have cumulative audit knowledge about the Council's financial statements, and that we identified a number of non-complex errors in the prior year. We have therefore set our performance materiality at 75% (increased from 70% last year) of our overall materiality being £1,635,000 for the Group and £1,575,000 for the Council's financial statements.

As with overall materiality, we will remain aware of the need to change this performance materiality level through the audit to ensure it remains to be set at an appropriate level.

Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the Council's financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account:

Item of account	Specific materiality
Officer remuneration	£5,000 *
Members' allowance and expenses	£50,000
External audit costs	£7,000
Termination payments	£33,000

* - Reflecting movement from one salary band to another

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £65,000 for the Group and £63,000 for the Council single entity financial statements based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with David Hoose.

Reporting to the Audit and Accounts Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Financial reporting changes relevant to 2019/20

There are no significant changes in the Code of Practice on Local Authority Accounting for the 2019/20 financial year.

Financial reporting changes in future years

Accounting standard	Year of application	Commentary
IFRS 16 – Leases	2020/21	<p>The CIPFA/LASAAC Code Board has determined that the Code of Practice on Local Authority Accounting will adopt the principles of IFRS 16 Leases, for the first time from 2020/21.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes to the way bodies account for leases, which will have substantial implications for the majority of public sector bodies.</p> <p>The most significant changes will be in respect of lessee accounting (i.e. where a body leases property or equipment from another entity). The existing distinction between operating and finance leases will be removed and instead, the new standard will require a right of use asset and an associated lease liability to be recognised on the lessee’s Balance Sheet.</p> <p>In order to meet the requirements of IFRS 16, all local authorities will need to undertake a significant project that is likely to be time-consuming and potentially complex. There will also be consequential impacts upon capital financing arrangements at many authorities which will need to be identified and addressed at an early stage of the project.</p>



AUDIT AND ACCOUNTS COMMITTEE **30 SEPTEMBER 2020**

AUDITED DRAFT STATEMENT OF ACCOUNTS

1.0 Purpose of Report

- 1.1 For members of the committee to review the Council's audited draft Statutory Accounts for the financial year ended 31 March 2020.

2.0 Introduction

- 2.1 The Accounts and Audit Regulations 2015 require that the authority must prepare and publish its approved draft and audited Statement of Accounts by 31 May and 31 July respectively. However due to disruption caused by the COVID 19 virus, legislation was passed to delay the statutory publication date until 31 August 2020 and the audit opinion until the 30 November 2020.
- 2.2 The Council published the draft Statement of Accounts on the website during June 2020. These were approved for issue by the Responsible Financial Officer (RFO) for the Council, the Director of Resources – S151 Officer.
- 2.3 The contents of the accounts are largely determined by statutory requirements and mandatory professional standards as set out within the 'Code of Practice on Local Authority Accounting' and 'Standard of Professional Practice on Financial Reporting' published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The CIPFA Code of Practice is based on International Financial Reporting Standards (IFRS).

3.0 Audit of the Accounts

- 3.1 The Council's external auditors, Mazars, commenced the audit of the accounts in June 2020 as per the original agreed timetable prior to the COVID 19 pandemic. As the Council relies on other external factors to influence balances and transactions within the Accounts, the statements presented are the draft set of accounts, which have substantially been audited. As Members will see during the Audit Completion Report (agenda item 9) there are several items that the external auditors are seeking external clarification on, and hence the statements presented in this report can only be draft.
- 3.2 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 full Audit Completion Report can be found under agenda item 'External Auditors Audit Completion Report' and Appendix A, section 4 of the appendix fully details the summary of misstatements. Currently their opinion of the accounts is for an unqualified opinion. As per the amended regulations the final audit opinion will be presented to this committee in November in line with the audit plan timetable. This will also include a Value for Money opinion.

4.0 Changes made to the Statements

- 4.1 The audit identified only one significant misstatement. This was due to an allowance for the 2020/21 financial years' provision against revaluation of the business rates debt being held as at 31st March 2020. As the debt is not held on the balance sheet at that date, the provision should not be held also.

All relevant notes were adjusted for the above misstatement.

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.

6.0 RECOMMENDATIONS that:

(a) Members note the Annual Governance Statement for the financial year ended 31 March 2020; and

(b) Members note the draft audited Statement of Accounts for the financial year ended 31 March 2020;

Background Papers

Nil.

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

NEWARK AND SHERWOOD DISTRICT COUNCIL

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/media/newarkandsherwood/imagesandfiles/strategiesandpolicies/pdfs/20190308CommunityPlan2019to23.pdf>). 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>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.</p> <p>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>
<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 to tenant consultation.</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</p>	<p>Suzanne Shead</p> <p>Director – Housing, Health and Wellbeing</p>

	<p>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>	
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Other governance issues identified as part of last year's Annual Governance Statement included:

- Organisational Change
- Estate Regeneration Programme – Yorke Drive
- Emergency Planning
- Business Continuity
- Counter Fraud Arrangements
- Compliance with Finance Regulations re: authorisation of goods, works and services

The Council is making good progress against the actions identified in relation to the above issues, in particular Emergency Planning and Business Continuity. The on-going pandemic situation can attest the progress that has been made against these two issues. Work programmes continue in relation to the other items identified.

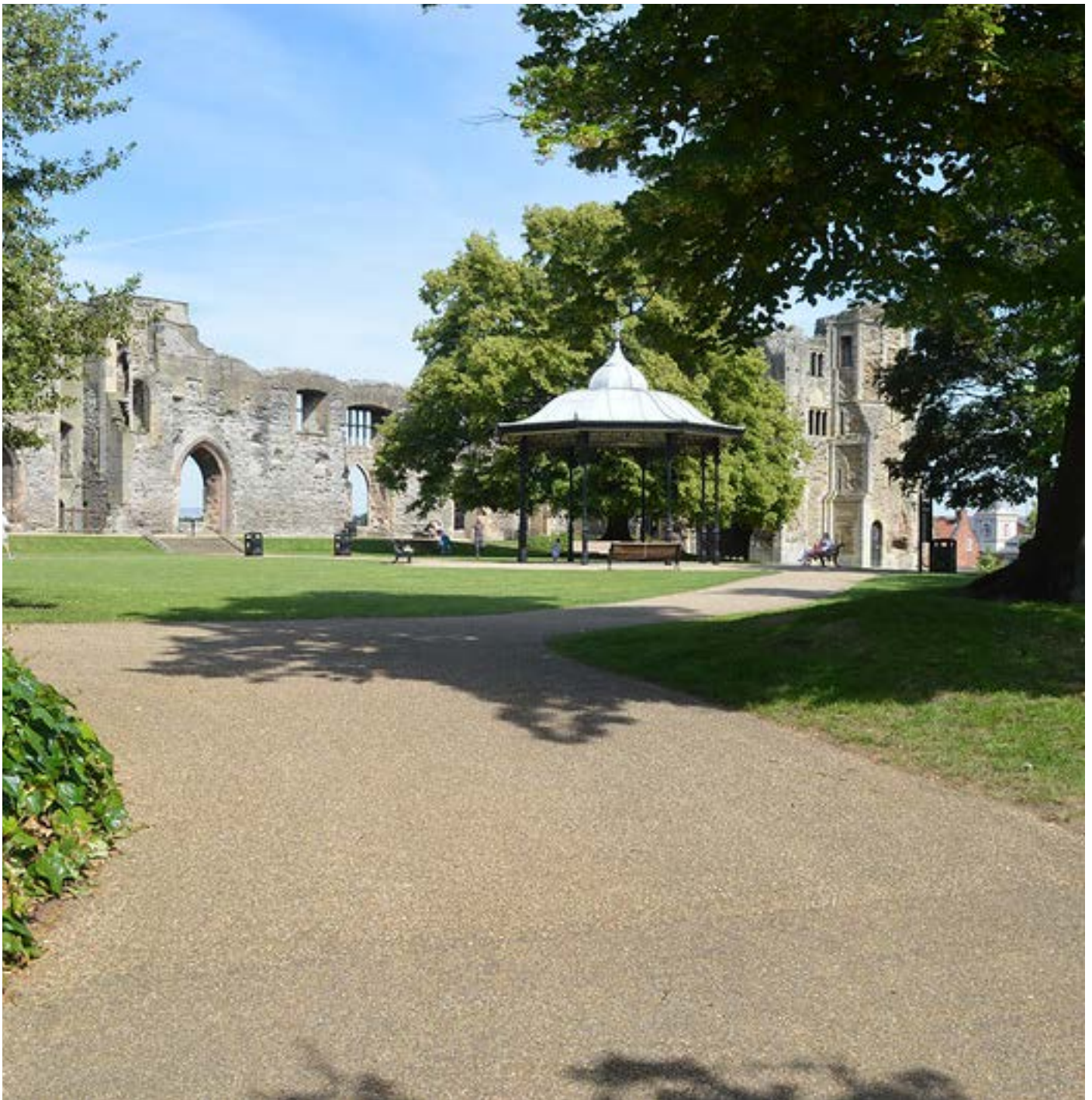
We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for proper governance arrangements to be in place. We will undertake ongoing monitoring of the implementation of any improvements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

Signed

J. Robinson
Chief Executive

D. Lloyd
Leader of the Council

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



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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

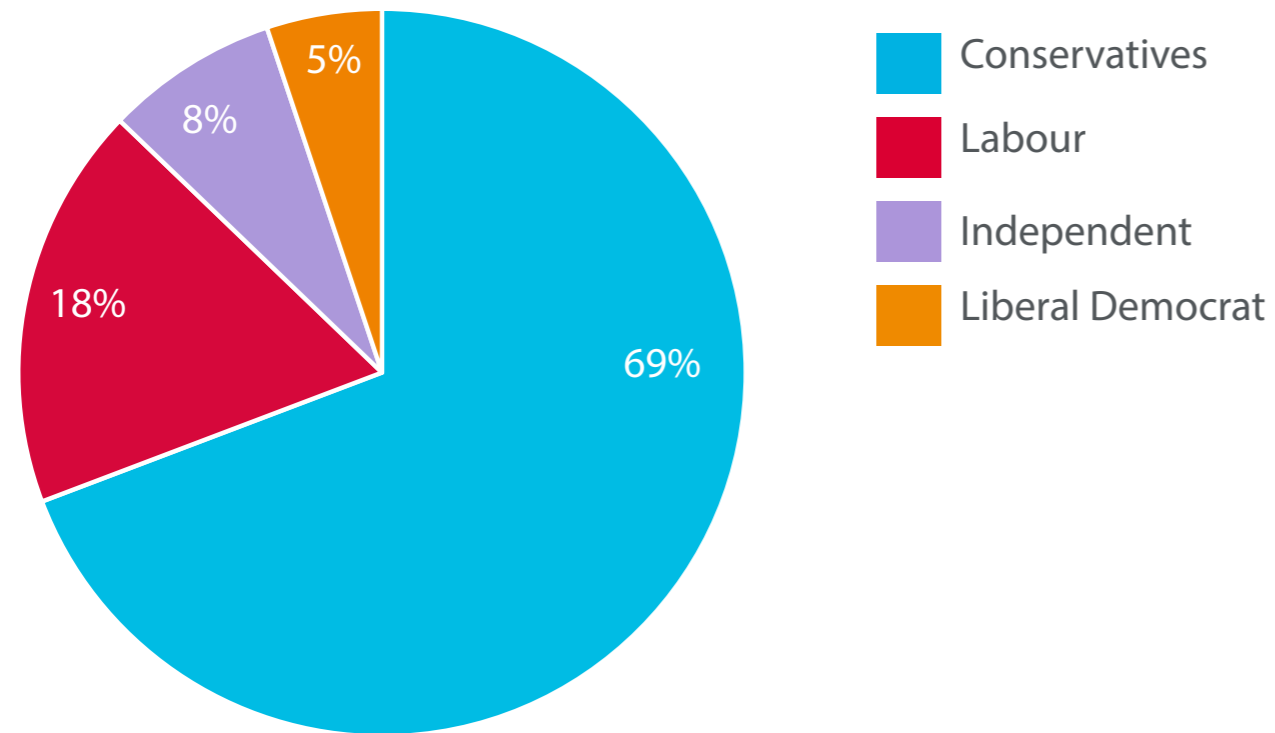
Consistently delivering on promises; providing good quality and demonstrating integrity.

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:



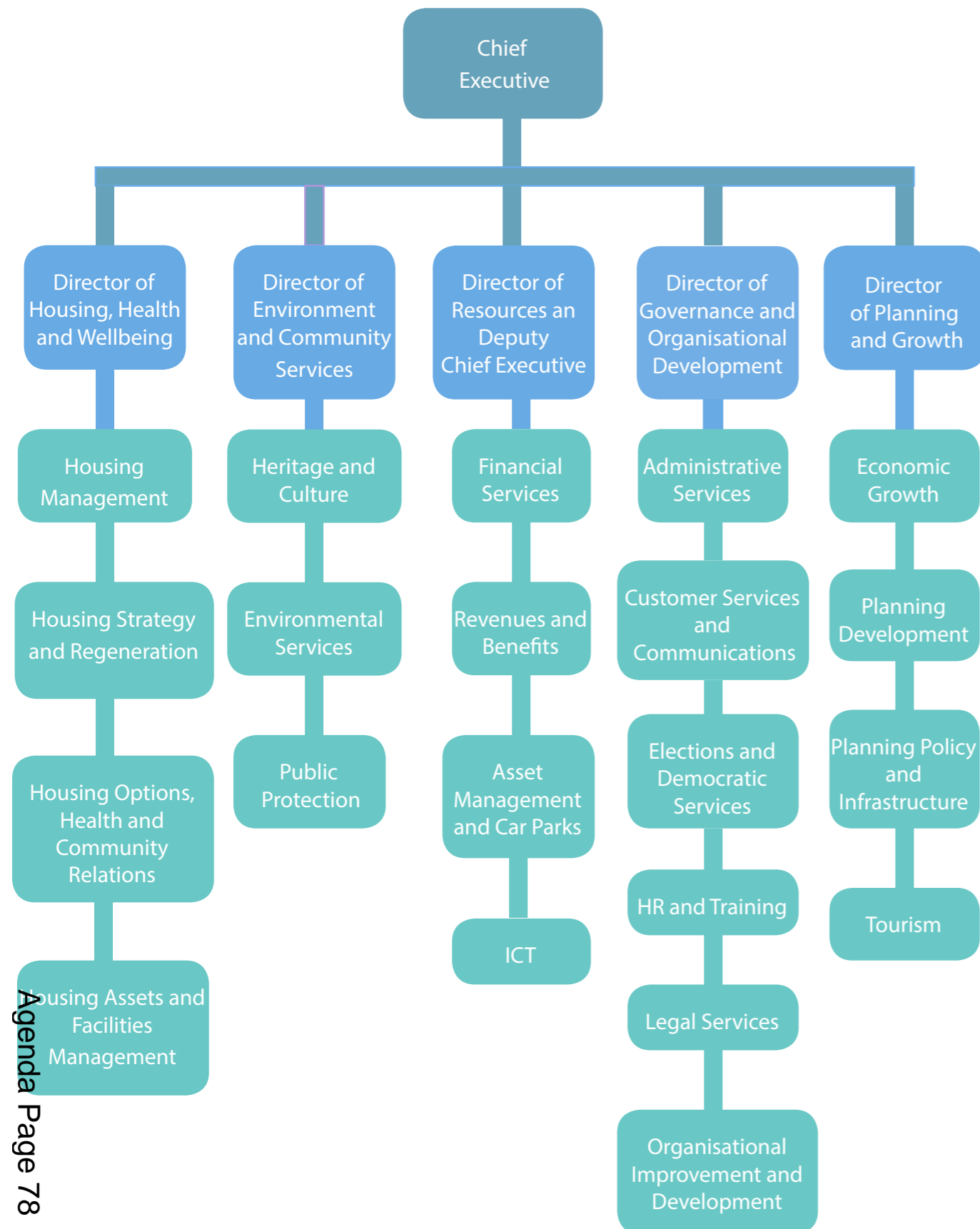
Shareholders Committee

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

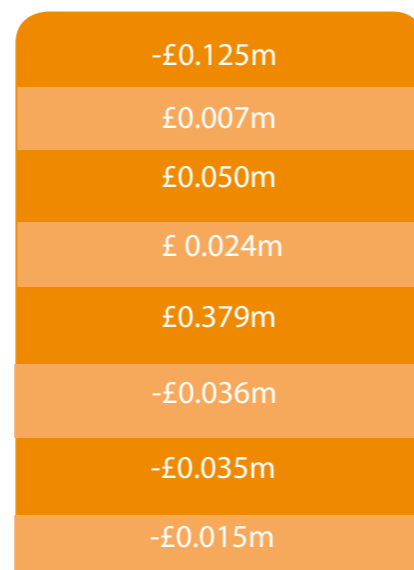
-£4.705m

Total decrease in reserves

-£1.089m

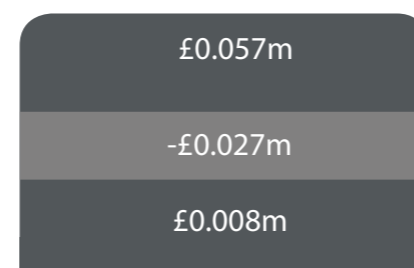
Economic Growth

- 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



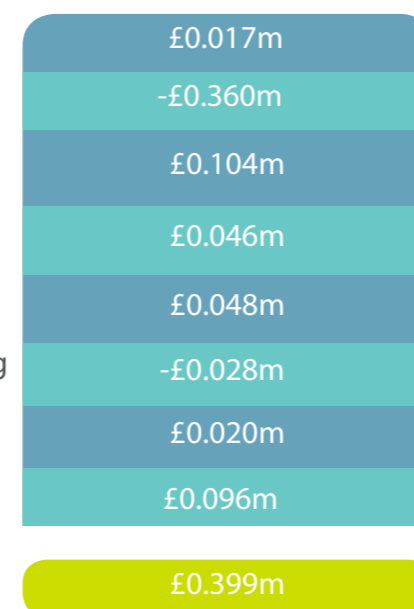
Leisure and Environment

- 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



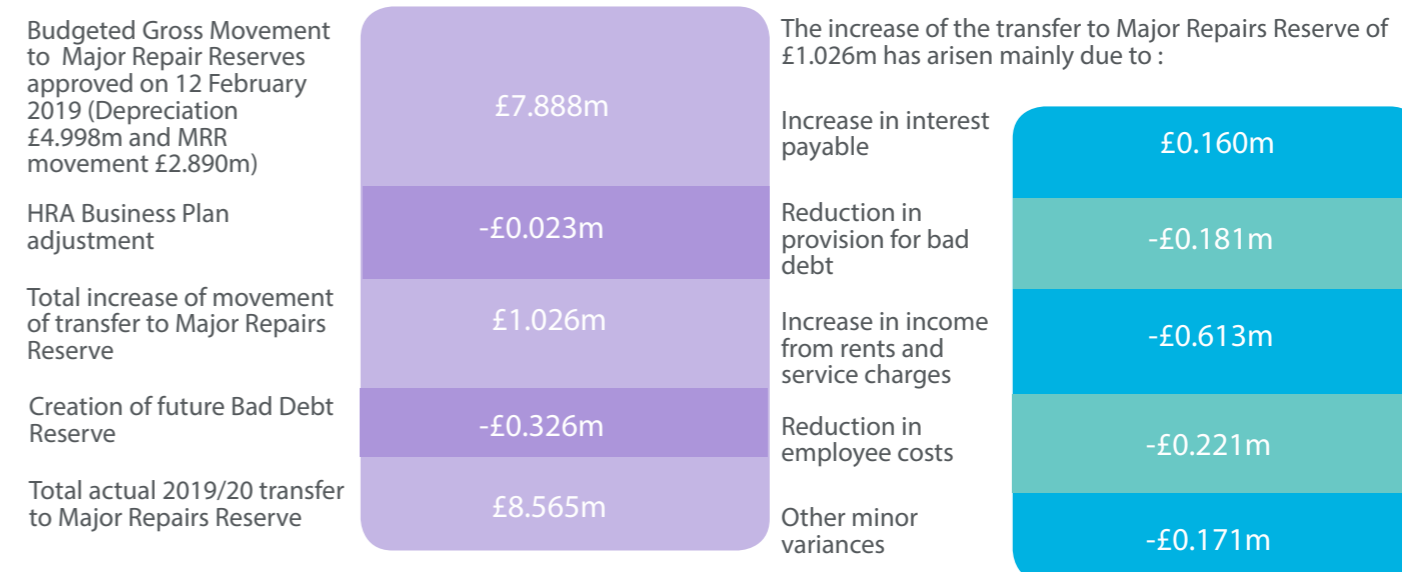
22 Total from all committees

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.



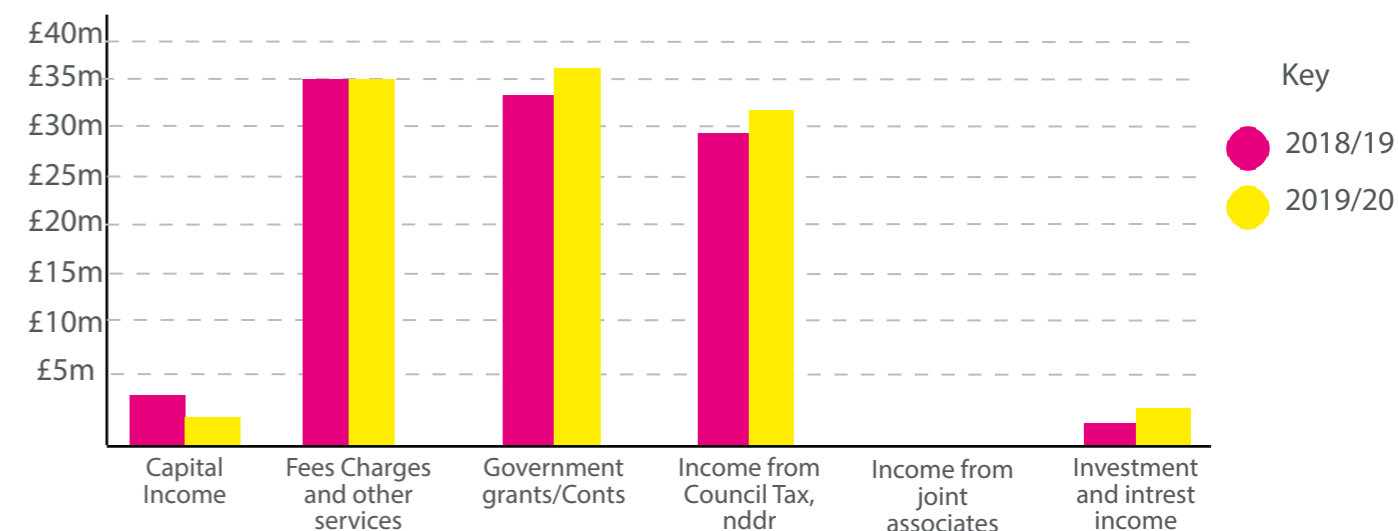
Analysis of total income

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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>

Arrears	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.	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	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.	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	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.	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	Adjustments for Capital Purposes (Note 1) £'000	Net change for the		Total Adjustments £'000
		Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'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	Adjustments for Capital Purposes (Note 1) £'000	Net change for the		Total Adjustments £'000
		Pensions Adjustments (Note 2) £'000	Other Differences (Note 3) £'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	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	Infrastruct- ure Assets £'000	Commun- -ity Assets £'000	Surplus Assets £'000	Assets Under Constr- uction £'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		2019/20
2018/19		£'000
£'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
Net written out amount of the cost of non-current assets consumed in the year	
-24,616	-28,659
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
Balance at 31 March	
163,267	157,295

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

Projected Pension Expense for the Year to 31 March 2021

	Year to 31-Mar-21 £'000
Projection for Year to 31 March 2019	£'000
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
Total Income		
Expenditure		
7,309		7,881
3,167		2,076
0		914
59		39
Depreciation of non current assets		
4,513		4,004
407		448
93		0
Revaluation of non current assets		
13,303		18,534
-8		92
76		82
28,919		34,070
Total Expenditure		
0		4,253
HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		
4,938		13,890
Net Cost of HRA Services as included in the whole authority		
Comprehensive Income and Expenditure Statement		
1,087		508
4,100		4,324
-16		-10
385		375
-3,409		-2,273
7,085 Surplus(-)/Deficit for the year on HRA Services		
		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 2018/19 No	Pre 1945 No	1945- 1964 No	1965- 1974 No	1975- 2013 No	Total 2019/20 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 Equivalents	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 £'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 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			Total Reserves		
	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
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

D. Lloyd
Leader of the Council

AUDIT AND ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

EXTERNAL AUDITORS' ANNUAL AUDIT COMPLETION REPORT

1.0 Purpose of Report

1.1 To present the External Auditors 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 proposed opinion on the Statement of Accounts and the Value for Money conclusion.

2.2 One implication of COVID-19 was that the national deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. While the accounts have 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 are all anticipated conclusions and will be finalised in a further report to the November committee.

3.0 Statement of Accounts

3.1 The Council's Audited Draft Statement of Accounts for 2019/20 is considered elsewhere on this agenda.

3.2 The report confirms that the external auditor anticipates issuing an unqualified opinion, without modification, of the 2019/20 Statement of Accounts.

3.3 The report asks the Committee to:

- consider the matters raised in the report before approving the audited draft financial statements;
- take note of the adjustments to the audited draft financial statements included in the report;

4.0 Value for Money

4.1 The Annual Completion Report includes the external auditor's conclusion on whether the Council has satisfactory corporate arrangements in place for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money conclusion. The auditor considers whether the Council has proper arrangements for financial resilience

4.2 The external auditor anticipates concluding that the Value for Money criterion has been met.

5.0 RECOMMENDATIONS that:-

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

Background Papers

Nil

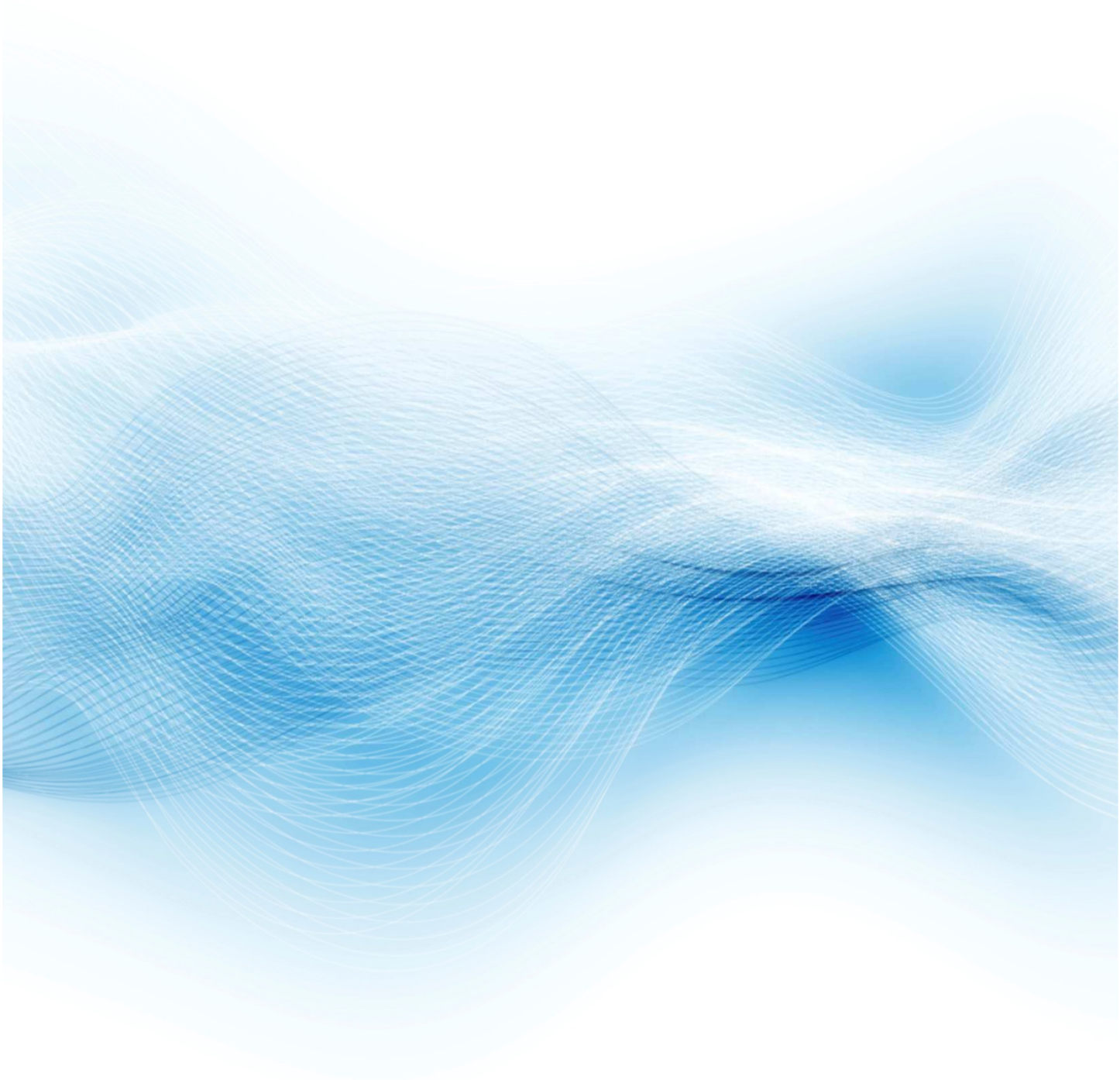
For further information please contact Nick Wilson, Business Manager - Financial Services on extension 5317.

Nick Wilson
Business Manager - Financial Services



Audit Completion Report

Newark and Sherwood District Council
Year ending 31 March 2020





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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.

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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

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money
conclusion

Appendices

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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AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

AUDIT & ACCOUNTS COMMITTEE ANNUAL REPORT

1.0 Purpose of Report

1.1 To inform Members of the activity undertaken by the Audit and Accounts Committee during the 2019/20 financial year.

2.0 Background Information

2.1 As part of the bi-annual review of the effectiveness of the Audit Committee which was undertaken during July 2019, an action plan was presented to the Audit and Accounts Committee at the meeting in November 2019. One of the actions identified within that plan was to produce an annual report of the activity of the Audit and Accounts Committee.

2.2 Part 2 of the constitution sets out the remit of the Committee which is:

- To approve the Authority's statement of accounts
- To review the Council's corporate governance arrangements
- To receive reports/presentations from the Council's internal audit manager
- To receive and consider the external auditor's opinion and reports
- To ensure that there are effective relationships between external and internal audit
- Consider the effectiveness and adequacy of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements
- Be satisfied that the authority's assurance statements properly reflect the risk environment and any controls in place to manage it
- Ensure effective scrutiny of the Council's Treasury Management Strategy and Policies.

3.0 Activity undertaken during the year

3.1 During the year, the Committee discharged its responsibilities as described within the Constitution by:

24th July 2019

3.2 The Council approved its Statement of Accounts for the 2018/19 financial year together with the Annual Governance Statement for the same period. This was accompanied by the external auditors audit completion report; their report on the financial statements that were approved.

3.3 The external auditors report detailed that the financial statements gave a true and fair view of the financial position of the Authority as at 31st March 2019 and therefore an unqualified opinion on the financial statements.

3.4 This Committee also saw the Annual report of the Head of Internal Audit for the 2018/19 financial year. The report detailed that 99% of the revised audit plan had been completed

which gave rise to a 14% increase in high and substantial assurance reports compared with 2017/18.

- 3.5 Despite this, there had been a 17% increase in high priority recommendations. As such the report described that the areas of Internal Control and Governance were to decrease from “Performing well” to “Performing Adequately”. The areas of Financial Control and Risk continued to be assessed as “Performing Well”. The Director – Resources provided Members with information as to what actions had been taken following the adequate audit findings for Governance and Internal Control.
- 3.6 A further report regarding the internal audit process was tabled, which set out the internal process regarding Internal Audit reports. This report described how reports that are given limited or low assurance, Business Managers would be asked to attend future Audit and Account Committee meetings to update on progress against management actions. This is in order to give the Committee assurance that areas where management actions have been agreed are being implemented. This report had been requested by the Committee in order to set a process of gaining assurance from Business Managers that actions are being implemented. Before this report was tabled, where reports were limited, the Committee would not gain any assurance on that area until the next time the activity was audited, which may be in the next Committee membership cycle.

13th November 2019

- 3.7 As part of the annual cycle the Committee received training from Link Asset Services in relation to its responsibilities regarding Treasury Management. Assurance Lincolnshire also facilitated a training session with members of the Committee regarding the roles and responsibilities of the Committee.

27th November 2019

- 3.8 The Committee was presented with a report by Director Governance and Organisational Development on a Values and Culture Health Check. The recommendation was that the Committee support the commissioning of the health check and that the Chairman of the Committee be selected to be the Member champion and oversee the review work.
- 3.9 This work was to review the ethical culture within the authority to test out how well its rules, procedures and behaviours around good ethical governance are embedded within the organisation. Member surveys had been sent out, but a limited response was received prior to the current pandemic. It was therefore put on hold and will be rescheduled for later in the current year.
- 3.10 The Committee also received a report regarding the self-assessment of the Internal Audit function by Assurance Lincolnshire, and also a self-assessment of the Audit and Accounts Committee. The assessment of the Audit and Accounts Committee was facilitated using CIPFA’s Practical Guidance for Audit Committees questionnaire. An action plan was created from this and 11 actions were identified. Seven of those actions have been completed to date. The below table shows the four actions that are yet to be completed, and gives an update against them:

Self-Assessment area of good practice	Concern	Action	Update
Do the Committee's terms of reference clearly set out the purpose of the Committee in accordance with CIPFA's Position Statement	It was felt that the areas of Partnerships and Collaboration arrangements and supporting the ethical framework were not covered within the TOR for the Committee. Members also were not aware of any specific reports tabled at other Committees, which would give the Council assurance these Partnerships and collaboration arrangements were working effectively	The TOR within the constitution to be updated to include a statement referring to the review of partnership and collaboration arrangements and to review the ethical framework and consider the local code of governance. An annual partnership register report on would be tabled each July considering all Partnerships and Collaborative arrangements. The annual Standards report (that is currently tabled at Policy & Finance Committee) would also be tabled at this Committee for review. Further to this, a review into the current Governance arrangements is due to take place during Q4 of 2019/20 by Assurance Lincolnshire, which will identify any further areas of improvement	This is currently outstanding. In order to update the Constitution, this will need to be tabled at Councillors Commission prior to adoption in the Constitution. Additionally the work around the Governance review referenced in paragraph 3.9 above is anticipated to be rescheduled for later in the year. Anticipated resolution: Q2 2021
Is the role and purpose of the Audit and Accounts Committee understood and accepted across the authority	It was felt that it is understood by officers and in essence understood by Members	When updating the constitution for the items above, this will be re-iterated to Members regarding the roles and responsibilities of the Committee.	See item above Anticipated resolution: Q2 2021
Do the Committee's terms of reference explicitly address all	It was felt that the areas of Partnerships and Collaboration arrangements and supporting	The TOR within the constitution to be updated to include a	See item above Anticipated resolution: Q2 2021

<p>the core areas identified in CIPFA's Position Statement (areas relating to: a) Assurance framework, including partnerships and collaboration arrangements and b) supporting the ethical framework)</p>	<p>the ethical framework were not covered within the TOR for the Committee. Members also were not aware of any specific reports tabled at other Committees, which would give the Council assurance these Partnerships and collaboration arrangements were working effectively</p>	<p>statement referring to the review of partnership and collaboration arrangements and to review the ethical framework and consider the local code of governance. An annual partnership register report on would be tabled each July considering all Partnerships and Collaborative arrangements. The annual Standards report (that is currently tabled at Policy & Finance Committee) would also be tabled at this Committee for review. Further to this, a review into the current Governance arrangements is due to take place during Q4 of 2019/20 by Assurance Lincolnshire, which will identify any further areas of improvement. It is proposed for this Committee to own this piece of work</p>	
<p>Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory</p>	<p>As the Committee received new members for the current financial year, it was felt that this activity is currently outstanding</p>	<p>As the members of the Committee have not yet had any formal training on their responsibilities (see previous item) it is proposed that during July 2020 this assessment would take place. This would then allow members to evaluate themselves against the skills framework, based on a years' experience of</p>	<p>A workshop with members of the Committee is currently being created in order to assess skills of the members. Once this has been built, a date will be set for this session. Anticipated resolution: Q1 2021</p>

		being a member of the Committee	
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3.11 The Committee also received reports on:

- Midyear treasury management update report
- External Auditors annual audit letter
- Counter fraud activity report
- Internal Audit progress report

3.12 The Business Manager – Administrative Services was in attendance for the meeting to update Members on the Procurement Cards audit which had received limited assurance. The Committee heard that 11 actions had been put in place to address issues highlighted within the report. There had been no action in relation to two of the risks due to restrictions from the external provider.

5th February 2020

3.13 The Committee received a report reviewing the impact of an independent member appointment to the Committee. This was prompted from the action plan as part of the self-assessment process. After a debate which included inputs from internal and external audit members agreed that the proposal to co-opt an independent member was not to be agreed at that time.

3.14 The Committee noted a report which updated members on progress against significant governance issues that had been identified within the Annual Governance Statement as approved in July 2019.

3.15 The Committee also noted a report from the Council’s Safety and Risk Management Officer regarding the current status of the Council’s Strategic Risks.

3.16 The Committee also received reports regarding Treasury Management for the 2020/21 financial year. Three reports were tabled relating to: Treasury Management Strategy 2020/21, Capital Strategy 2020/21 and Investment Strategy 2020/21. All three reports are intrinsically linked in relation to the Council’s treasury activities. They set out the prudential indicators that the Council must set and monitor against, the Minimum Revenue Provision (MRP) policy, the borrowing strategy and the investment strategy. These reports were all approved and recommended to Council for adoption and use during 2020/21.

3.17 The Committee received the Combined Assurance Report, which demonstrates the level of assurance the Council has in its activities at a set point in time. This therefore identifies gaps and assists in the production of the Internal Audit Plan for the following year. This report was considered and noted by the Committee.

3.18 The Internal Audit Plan for the 2020/21 year was tabled for the Committees approval. This plan was developed by Assurance Lincolnshire to demonstrate how assurance could be given on:

- Financial Governance
- Governance and Risk
- Critical Activities
- Projects
- ICT

The Internal Audit Plan, as presented, was approved.

3.19 The Committee also received reports on:

- Internal Audit progress report

4.0 Conclusion

4.1 As can be seen from the account of the year, the Committee has discharged its responsibilities as per the Constitution.

4.2 It has also assessed itself against the CIPFA Practical Guidance for Audit Committees questionnaire and drawn up an action plan for areas that did not conform to best practice.

4.3 The Committee has added value to the organisation, as it requested the Internal Audit Process report to clearly set out when Officers will attend the Committee in order for the Committee to gain the assurance that areas of identified weakness are being resolved.

5.0 RECOMMENDATIONS:

That the Committee:

- (a) notes this report of the activity within the year and refers on to Council for noting;

Background Papers

Committee agenda packs

Committee meeting minutes

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

Nick Wilson

Business Manager – Financial Services

AUDIT AND ACCOUNTS COMMITTEE **30 SEPTEMBER 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 August 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

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

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



Images Courtesy of the Official UK Photo Club

Newark and Sherwood District Council September 2020

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 - 3 Outstanding Actions for Limited Reports
 - 4 Internal Audit Plan 2020/21 – Progress to Date
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This report has been prepared solely for the use of Members and Management of **Newark and Sherwood District Council**. Details may be made available to specified external organisations, including external auditors, but otherwise the report should not be used or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended for any other purpose.

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

Introduction

The purpose of this report is to:

- Provide details of the audit work during the period 1st April 2020 to 30 June 2020
- Advise on progress of the 2020/21 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key Messages

The onset of Covid-19 and subsequent lockdown has had a significant impact on all areas of the public sector. Operationally, the Council has had to react quickly to rapidly changing circumstances. This has had an impact on the pace of progression for some of our audits, however we continue to work closely with the Council in order to finalise audit work.

Given the current situation, we have worked closely with management to ascertain what work could be completed during Quarter 1 and rescheduling of those audits postponed at the end of 2019/20. We are currently in the process of reviewing our resources and the logistics around the delivery of the remainder of the plan.

During the period we have completed 12 assurance audits and have 10 audits currently in progress with 3 of these at draft report stage.

Those which have been completed are:-

- Follow-ups 2019/20 – High
- Project and Programme Management - Substantial
- Procurement - Substantial
- NNDR – Substantial
- Land Charges – Substantial
- Performance – Substantial
- Enforcement - Substantial
- ICT Patch Management and Change Control – Substantial
- Key Controls –
 - Financial Regulations, Bank, Tax & VAT, Absence Management and Equality & Diversity – Substantial
 - Health and Safety - Limited
- Building Control - Limited
- ICT Incident Management - Limited

1
HIGH
ASSURANCE

8
SUBSTANTIAL
ASSURANCE

3
LIMITED
ASSURANCE

0
LOW
ASSURANCE

2
OTHER

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

Introduction

We have also completed the review of the Mansfield Crematorium Accounts and the Newark Livestock market Rent calculation.

Further details of our progress can be found within the body of the report and in Appendix 4.

Overall there are 65 agreed actions remaining to be implemented (18 High and 47 Medium). There are 5 actions which are overdue. This figure is high due to a high number of reports being issued in August which were delayed due to Covid impacting on the workloads of Managers. The backlog of reports has now cleared so the numbers should reduce in future reports.

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. This excludes those Limited reports issued after July 2020 as sufficient time has not yet passed for progress to have been made. These will be included in the next report.

There are a number of recommendations which require the approval of the Committee for extending in line with the protocol. These are included within Appendices 2 and 3 – highlighted in red.

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

High Assurance

Overall, 94.7% of the agreed actions we selected for review have been satisfactorily actioned and substantial progress has been made to action the remainder. Our review has therefore provided a High Assurance opinion on the implementation of the agreed actions.

To enhance the controls, we have made a recommendation requiring an action plan, in the area of Environmental permitting to ensure customers have access to fully updated information on the website page.

Follow-ups 2019/20

Substantial Assurance

We have provided a substantial level of assurance for this review in recognition of the revised processes and importance now being given to project management within the Council. There is a clear framework setting out the process which has recently been put into place for staff, and Teams have been set up to provide support where required. Further work is required to embed the project management processes within the Council to ensure that the correct process is followed and documented.

The framework contains most of the information we would expect to be included and we have made some recommendations to further build on this. This includes:

- general administration
- change management
- identification and role of stakeholders.

Initial involvement of the project support teams should improve compliance with the framework and we have also recommended that tailored training is continued including members of the Senior Leadership Team. Revisions to the processes for identifying projects and including them on the register should also aid in embedding them by enabling independent oversight.

Project and Programme Management

Substantial Assurance

Procurement

The procurement arrangement is working well and the relationship between the Council and the Service Provider (Welland Procurement) is improving as the level of interaction between them develops and embeds.

There are clearly defined policies, procedures and processes within the Council which provide a step by step procurement process guide for staff who are also encouraged to contact Welland Procurement for specialist advice and support on any procurement.

Contract monitoring meetings are held and there is a process where issues identified are escalated to the Service Provider through the Council's Business Manager (Financial Services). Management recognise that due to the changes in the delivery approach, the Procurement Officers are not as readily available as per the previous arrangements when the service was managed internally.

We have identified areas where some improvements are necessary as follows:-

- Ensuring relevant training on the use of the Welland Procurement portal and the Council's procurement processes is provided to clarify the procurement roles and responsibilities for staff.
- Ensuring the correct version of the Contract Procedure Rules is posted on the Council's procurement intranet page to ensure staff are referring to the most up-to-date documentation.
- Continuing to address the ICT issues currently affecting service delivery and communication.

Overall, the NNDR activity is well managed and ensures that the rate payers are correctly billed and relevant reliefs and discounts (including those relating to Covid-19 pandemic) are correctly and appropriately awarded to eligible rate payers.

Payments received are correctly updated onto the customers' accounts and there are regular payment reconciliations in place.

NNDR

Appropriate actions are undertaken to investigate and rectify any identified discrepancies in the Rateable Value between Civica's property database listing and the records maintained by the Valuation Office Agency.

Our review identified a couple of areas where improvements are necessary to ensure all income due to the Council is promptly identified, billed and recovered

Substantial Assurance

Land Charges

Our review has provided an overall Substantial Assurance opinion for the effectiveness of the management and governance of Land Charges. We found that:-

- There is good management oversight of the service
- The service is exceeding their target for 90% of the searches to be returned within 6 working days
- The resilience in the service has improved, having a second officer who can provide cover if needed
- Land Charges team has proactively targeted solicitors and estate agents raising their awareness of the team and how quickly the team perform searches

We identified one improvement involving the income reconciliation which will further strengthen the governance of Land Charges.

Key Controls:-

- Financial Regulations
- Bank
- Tax & VAT
- Absence Management
- Equality & Diversity

Overall the key controls tested operate effectively and as expected. There are robust processes in place which protect the business from increased exposure to fraud and error. There were some areas identified, where further improvements in key controls are necessary:

- Review the wording in the Financial Regulations and Contract Procedure Rules regarding consulting senior officers on contractual arrangements with third parties to ensure consistency and legal compliance.
- Update the bank reconciliation procedure notes, Managing attendance policy and Attendance management toolkit so that all are aware of and can follow the up-to-date processes.
- Introduce spot checks to ensure that Managers are adhering to the Managing attendance policy and processes within the Attendance toolkit.
- Raise the awareness of the need to consider equality implications in committee reports to demonstrate compliance with legislation.

Good progress has been made in implementing the agreed actions from the 2017/18 Performance Management and Assurance audit particularly the activity undertaken to align the Performance Indicators (PIs) to the objectives set out in the Council's Community Plan.

The review identified that all agreed actions have been fully implemented except the one relating to reviewing the number of PIs. This has been completed in part with further work required to streamline the number of the performance indicators and the related assurance reports to enable senior management to focus on key areas of improvement whilst ensuring the overall strategic oversight of the performance management activity. The Council has now brought its housing management service back in house and the PIs relating to these activities need to be reviewed and aligned to the Council's Priorities.

We have made a further recommendation to provide the Performance Management and Assurance reports to members to support their scrutiny function.

Performance

Substantial Assurance

Overall, the Council's ICT service maintains effective patch management arrangements, with the majority of patch deployments being automated. We are therefore providing a Substantial Assurance opinion for this review.

Change management arrangements are supported by standard templates on which proposed changes should be recorded. We were able confirm that these documents are in use and that changes are then submitted to the ICT change board for approval.

The management of the patching operation could be improved by:

- Refreshing patch management policy and procedures
- Ensuring targets for the roll-out of patches are established and monitored

Our main concern with Change Management is that unauthorised changes could be occurring. This is difficult to verify as it is rarely possible to identify changes within a Local Authority network with various applications. We have made several recommendations to encourage the completion of change control documentation, including suggesting that the ICT section look to incorporate a further, "light-touch", change control template for minor changes.

We examined a number of changes but found that only half of these recorded the change within the change log. The change log presents a quick reference for staff to review and possibly identify any recent changes that may have given rise to problems/incidents being experienced on the network.

Overall, the arrangements for the administration of the planning breaches are effective. The operational processes followed when assessing and investigating the breaches ensure compliance with the provisions detailed in the Planning Practice Guidance and those outlined in the National Planning Policy Framework.

We acknowledge that at the time of the review a draft Planning Enforcement Plan (PEP) had been drawn up and was going through the approval process. This addresses some of the issues identified. However, its approval and implementation has been delayed due to the outbreak of COVID19. We have identified that the following improvements are necessary to strengthen effectiveness of the arrangement:-

- Ensuring the PEP is adopted as soon as possible and monitoring progress on its public consultation, sign off and adoption.
- Reviewing the staff resource allocated to the planning enforcement activity to ensure it is sufficient.
- Maintenance of accurate and up to date performance indicators and the provision of highlight reports to the Senior Leadership Team on significant issues relating to the activity enabling early intervention.

ICT Patch Management and Change Control

Enforcement

Limited Assurance

The full summaries of these reports are provided in Appendix 5

Key Controls:- Health and Safety

Health and Safety was last audited in full in 2017 -18 where a number of actions were agreed and reported as being implemented, including strengthening the controls and improving risk assessments. Our review found that policies and the importance of risk assessments are still not fully embedded throughout the Council.

Specifically we found that the individual responsibilities as detailed within the framework are not being complied with which not only compromises the value of the policies but also exposes the Council to HSE penalties, sanctions and damaged reputation in the event of non-compliance with regulations.

Areas where improvements are necessary include:-

- Currency of risk assessments.
- Understanding / Communication of responsibilities within the Health and Safety Policy.
- Accountability for fulfilment of responsibilities within the Health and Safety Policy.

The level of assurance given to the Council for their building control contract management is limited.

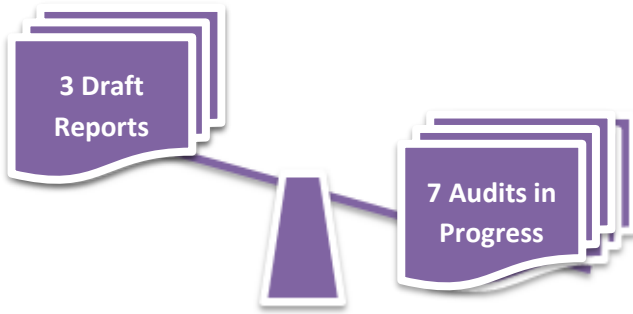
Building Control

It is important to note that since the audit fieldwork was undertaken a new Business Manager has taken up post and their role will include management of the Building Control contract. The audit findings reflect the period between the former Business Manager being promoted to Director at the start of 2019 and the new manager starting when the post was vacant for some months. It is expected that with a new manager in post there will be the resource to more robustly manage the contract.

Whilst the ICT section has a means of recording and tracking the resolution of incidents, there are several areas that give cause for concern:-

ICT Incident Management

- The Council does not have an effective reporting facility for staff and contractors to convey their concerns. The Council has a Remote Access Policy to formalise the granting of access to Council systems by 3rd parties but this policy is substantially out of date and does not place a requirement on 3rd parties to report any suspected incidents.
- Examination of a sample of incidents shows that issues are being brought directly to specific members of the ICT team which can mean that more senior ICT staff are handling work that could be done by junior staff. It is also indicative that the incident handling process is not being followed. Contributing to this situation is the fact that the incident handling procedure has not been reviewed in the past five years.
- There is no documented post incident review, or retrospective review of incident trends, to determine if lessons can be learnt or if underlying problems are giving rise to repeated incidents.



Audits reports at draft

We have 3 audits at draft report stage:

- Commercialisation
- Key Controls NSH*
- Buttermarket

*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
- General Ledger/Financial Reporting – Testing
- Budgetary Control – Testing
- Information Governance – Terms of Reference
- Newark Castle – Testing
- Apprenticeships – Initial discussions
- Robin Hood Hotel – Testing

Other Significant work

We have completed the review of the Mansfield Crematorium Accounts.

The Annual rent calculation for Newark Livestock Market has also been completed.

Planning for the Combined Assurance work has also commenced with meetings being booked in.





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**

18% Plan
Completed

**Audit KPI's
achieved**





Other Matters of Interest

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

Cabinet Office Public Sector risk update

The Government Counter Fraud Function has confirmed the key fraud risks during Quarter 1 of 2020/21 across the public sector:

Fraudulent claims	We have received reports of a detected fraud that involves over 20 Small Business Grant Fund (SBGF) payments and is worth approximately £250,000
Impersonation of officials	We have received intelligence to suggest the risk of scammers spoofing email addresses to pretend to be employers, seeking personal details as part of the return to work process
Government grants	Fraudsters are attempting to use the closure of premises or homeworking to justify the enquiry for information relating to premises, reference numbers and/or Extended Retail Discount in order to obtain business information for fraudulent applications for the retail & hospitality and leisure grant.
Cyber fraud	We are beginning to see phishing attempts by online fraudsters impersonating senior staff in well-known retail and food chains targeting loans and grants administered by Local Authorities. The emails target the authorities using open source data such as logo and head office addresses, to obtain genuine business rates details of branches in the area and submit fraudulent claims which are then paid into fraudsters accounts.



Audit Scotland – Guide for Audit and Risk Committees

Audit Scotland produced the above guide in August 2020 for public bodies and auditors which sets out some key questions for them to consider in respect of Covid-19. Whilst it is written for public bodies in Scotland the contents of the guide are equally relevant to public bodies in England.

The guide focuses on the short-term challenges facing public bodies in the response phase of the pandemic. Key areas that audit and risk committees will need to focus on include:

- **Internal controls and assurance**
The pressures faced by local authorities have led to the need for more rapid decision making and flexibility in the workforce therefore there has been a necessity for the relaxation of some internal controls. The implementation of remote working has also increased some other risks such as cyber-crime.
- **Financial management and reporting**
The pandemic has had a significant impact on local authorities in terms of its sources of income and additional costs incurred. The pandemic may also impact on the value of investments, property and potentially the collection of outstanding debts. Accountants involved in the processing of the information and reporting may also be stretched.
- **Governance**
The pace of change has led to the necessity for faster decision making which may have led to changes in the governance process, reducing the opportunity for scrutiny and due diligence. There may also have been increased collaborative working and reliance on partners.
- **Risk management.**
Risks will need to be monitored carefully and frequently to ensure they reflect the current situation and decisions around the risk appetite will also need to be considered.

The guide includes suggested questions to help committee members effectively scrutinise and challenge these key areas and better understand how their organisation is responding to the pandemic and managing both the immediate and longer-term challenges that it creates.

[Covid-19: Guide for audit and risk committees | Audit Scotland](#)

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.

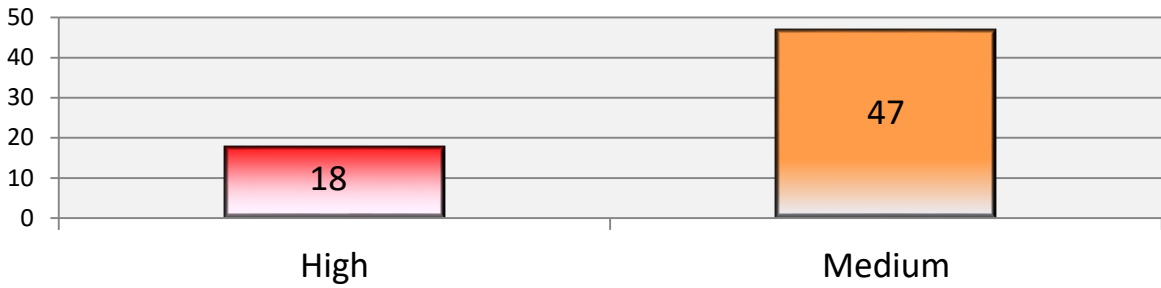
Low

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.

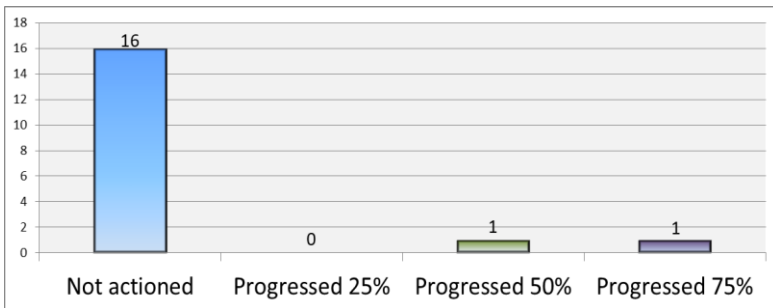
Outstanding Audit Actions for all audits at 1 September 2020

All Actions remaining to be implemented

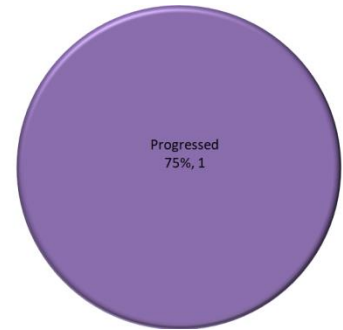


High Priority Actions remaining to be implemented

Overall

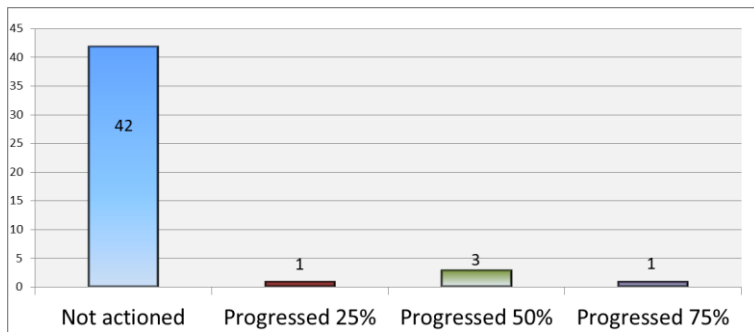


Overdue

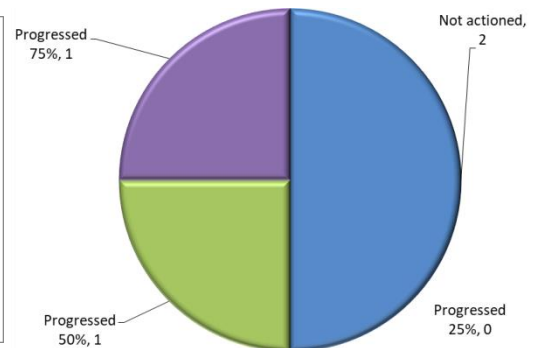


Medium Priority Actions remaining to be implemented

Overall



Overdue



Outstanding Audit Actions at Sept 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	Mike Manley	31/08/2020	<p>Mar 2020 - This is ongoing and has obviously been impacted on by the re-structure so the deadline will need to be moved. I will be looking to review it again in August. We are in the process of restructuring our rounds with the aim of improving performance to reduce contamination. Requested extension to 31/08/20</p> <p>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.</p> <p>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>

Outstanding Audit Actions at 1 September 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.

The remaining three actions are included within Appendix 3 so have not been duplicated here – Key Controls 2018/19, Building Control and Community Centres.

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>April 2020 - As part of the policy quarterly reporting to SLT of current Sundry Debts per Business Unit as well as trends over time will be included. Changed responsibility to NW.</p> <p>Extension requested to the end of June - as this is the second extension it needs to be approved by Committee but due to COVID-19 Committees are not meeting as planned. Date amended from 31/03/20 for reporting but will be included in the next progress report for formal approval and scrutiny by Committee.</p> <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>
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. Report will be presented to September's P&F.</p>

Audit	Priority	Agreed Action	Original Due Date	Owner	Current Due Date	Response
Building Control 2019/20	High	Copies of relevant documentation will be kept in a centralised place so that it is accessible to everyone who needs it.	30/06/20	Lisa Hughes	30/06/20	<p>Jun 2020 - Documents are in one place, but need to be indexed so more easily accessible by all. 'Everyone' in this context is considered to be officers of NSDC as there is not a shared location between SKDC, RBC and NSDC.</p> <p>Sept 2020 - As above - now 75% complete.</p>
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>

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		Testing
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			Planning
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			

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			Planning
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		Testing
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

Changes to Internal Audit Plan – 2020/21

Directorate	Audit	Rational	Change
Growth and Regeneration	Tourism	Due to COVID-19 this has not progressed as planned.	Remove from plan
Communities and Environment	Climate Change Emergency	Due to COVID-19 this has not progressed as planned.	Remove from plan
Growth and Regeneration	Stakeholder engagement	Low risk, SLT advised to remove and use the days for areas with higher risk.	Remove from plan
Communities and Environment	Flood Grant	Additional work to review the grant claim relating to flooding.	Added to the plan

Key Controls – Health and Safety

Scope

The purpose of the audit was to provide independent assurance that controls for the administration and management of key elements of a sample of key systems are in place and operating effectively. Part of this review included ensuring that there were effective processes in place which ensure that Health and Safety legislation is embedded and adhered to.

Executive Summary

Risk	Rating	Recommendations	
		High	Medium
Risk 3 - Ineffective processes in place which ensure the Health and Safety legislation is embedded and adhered to.	Red	3	0

Health & Safety– Limited Assurance

Health and Safety was last audited in full in 2017 -18 where a number of actions were agreed and reported as being implemented, including strengthening the controls and improving risk assessments. Our review found that policies and the importance of risk assessments are still not fully embedded throughout the Council.

Specifically we found that the individual responsibilities as detailed within the framework are not being complied with which not only compromises the value of the policies but also exposes the Council to HSE penalties, sanctions and damaged reputation in the event of non-compliance with regulations.

Areas where improvements are necessary include:-

- Currency of risk assessments.
- Understanding / Communication of responsibilities within the Health and Safety Policy.
- Accountability for fulfilment of responsibilities within the Health and Safety Policy.

Building Control

Scope

Our audit aims to explore the Council's building control contract monitoring arrangements, to ensure that the residents of the district are getting the services expected and included in the agreement.

The audit will cover the following areas:-

- Contract Management
- Relationship Management
- Risk Management
- Benefit Realisation
- Financial Management

Executive Summary

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 – Contract Management	Red	4	0
Risk 2 – Engagement with partners.	Red	7	0
Risk 3 – Risk management	Amber	4	0
Risk 4 – Financial management	Green	0	0
Risk 5 – Performance management	Amber	0	0

The level of assurance given to the Council for their building control contract management is limited. It is important to note that since the audit fieldwork was undertaken a new Business Manager has taken up post and their role will include management of the Building Control contract. The audit findings reflect the period between the former Business Manager being promoted to Director at the start of 2019 and the new manager starting when the post was vacant for some months. It is expected that with a new manager in post there will be the resource to more robustly manage the contract.

Contract Management

One of the roles undertaken by the new Business Manager is to regularly monitor the contract and with this post being vacant for 6 months, this was not always possible. However, there is some evidence of monitoring the contract, such as the Director of Growth and Regeneration attending the Partnership Board meetings, which occur quarterly.

From looking at Council files, it is clear to see that a large percentage, if not all, of the information regarding contract monitoring comes directly from the Partnership Board Meetings and if one was missed the formal communication line would be absent until the next one. It would benefit the Council to undertake some independent monitoring, separate from the Partnership Board, to ensure full and complete coverage. This can be done through regular contact with EMBC as well as independent performance monitoring.

Executive Summary

The formal Business Case should be updated by the shared service business manager annually, which is stated in the contract in section 4.1. There has been no evidence to suggest that the business case has been updated since 2015 and therefore, they are not meeting the terms of the contract, which has not been picked up by the Council until recently when leading up to the share service review.

Relationship Management

Partnership Board meetings are held regularly and the most recent ones at the time of the audit fieldwork were held in July and September 2019. The agenda is usually fixed, focusing on finances, Business Manager report, performance reports and risks. The Business Manager report provides a helpful insight to the shared service and the finances are regularly challenged. The July 2019 minutes lack detail and coherency when comparing to previous meetings, which will make it difficult for future monitoring. We have not been supplied with any documentation from the September meeting.

We have had verbal confirmation from the Director saying that EMBC are easy to contact and are always willing to supply any information the Council ask for. Despite this, an internal briefing note written at the end of 2017 states that the Council do not receive sufficient information to be able to carry out independent checks and there is no evidence to suggest that this is not still an issue.

Risk Management

The risks associated with EMBC are captured in Pentana. It would be useful for the new Business Manager to review the risks and ensure the controls are operating effectively.

There is no evidence that an annual report is written and presented to the Partnership Board or a Council Committee which would improve communication across all parties. The EMBC operating risks are taken to the partnership board meetings, which can give an overview of the current situation of the shared service. Legally, the contract ended in April 2019 and it took several months for South Kesteven's legal team to send out the extension letters. There has now been a deed drafted and at the time of the audit it was waiting to be signed.

Financial Management

The financial information is discussed at each partnership board meeting and each Chief Executive Board meeting. The budgeting process for building control at the Council mainly comes from the budget reports sent to them by EMBC and they use this estimate to manage their own monthly with the Finance Team.

Performance information

EMBC produce reports showing various performance indicators, as described previously, but it is limited in detail and explanation. It also doesn't include data on customer complaints. The Council does not produce any independent data in relation to value for money or whether the partnership is meeting their initial aims/objectives.

Management Response

It is acknowledged the ratings across each of the risks assessed are below what the department would wish to see, due to the Business Manager – Planning Development post being vacant. However, in view of this post now being filled, each of the risk areas will be provided with the resource necessary to ensure the contract and its management, as well as partnership relationships including meeting arrangements etc. are properly and appropriately managed and recorded.

The audit provides a sound basis for progressing and managing the contract and increasing income generated from EMBC, whilst ensuring the positive customer service provision provided by the team is maintained and built upon.

ICT Incident Management

Scope

The review provides assurance that ICT incidents are promptly identified, recorded and investigated in accordance with the Councils agreed incident management process.

Executive Summary

Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Incident Management is not effectively managed	Medium	1	0
Incidents are not detected and reported	Medium	0	2
Incidents are not corrected	Medium	1	0
Lessons are not learnt	Medium	0	1
TOTAL		2	3

Whilst the ICT section has a means of recording and tracking the resolution of incidents, there are several areas that give cause for concern and lead us to conclude that we can only provide a Limited Assurance opinion at this time.

Incident Reporting

The Council does not have an effective reporting facility for staff and contractors to convey their concerns. The Council has a Remote Access Policy to formalise the granting of access to Council systems by 3rd parties, e.g. contractors. This policy is substantially out of date and does not currently place a requirement on 3rd parties to report any suspected incidents.

Incident Handling

Examination of a sample of incidents shows that issues are being brought directly to specific members of the ICT team. Whilst this may be expedient for the customer, it tends to mean that more senior ICT staff are handling work that could be done by junior staff. It is also indicative that the incident handling process is not being followed. Contributing to this situation is the fact that the incident handling procedure has not been reviewed in the past five years and as such there is the perception that these arrangements are not viewed as current or relevant.

Lessons Learnt

There is no documented post incident review, or retrospective review of incident trends, to determine if lessons can be learnt or if underlying problems are giving rise to repeated incidents.

Management Response

Although the audit report gives limited assurance of Incident reporting of low to medium incidents via the ICT Service Desk, high level / Major incidents such as Cyber or Incidents that affect business continuity are dealt with adequately and are effectively managed with levels of assurance including business continuity testing, PSN compliance and Cyber Essentials compliance.

ICT implemented all required recommendations and actions with immediate effect.

AUDIT & ACCOUNTS COMMITTEE **30 SEPTEMBER 2020**

FRAUD RISK ASSESSMENT

1.0 Purpose of Report

1.1 This report is to inform Members of the update of the Fraud Risk Register undertaken during February 2020.

2.0 Background Information

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

2.2 The fraud risks are reassessed periodically and the register updated. The amended Fraud Risk Register as at February 2020 is attached at Appendix A.

3.0 Work Undertaken

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

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

3.3 Estimates of potential fraud losses have been calculated based on rates of fraud identified by the National Fraud Authority.

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

4.0 Results

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

4.2 During the assessment process, it was felt that none of the risk scores needed to change from the assessment carried out during February 2019.

4.3 The further actions that have been implemented up to February 2020 which will help to mitigate fraud risks include:

Procurement and Contracts Fraud (Contracts)

- Future housing capital expenditure previously managed by Newark and Sherwood Homes are to be channelled through the Council's Proactis e-tendering platform;

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

Credit income and refund fraud:

- Joined up refund process review across services

Housing Benefit:

- Further Collaborative working with other areas of the Council;
- Consider taking part in the DWP Accuracy Initiative (October 2020)

Procurement and Contracts Fraud (Contracts):

- All procurements to be entered onto the Councils contract system;
- Annual review of contract management performance of a selection of key contracts;
- Spot checks to ensure CPR's compliance
- Actions from lessons learned

Procurement and Contracts Fraud (Payments)

- Review "off contract" spend through use of transparency data
- Proactive reviews of Interests, Gifts and Hospitality register

Bank Fraud

- Issue bank mandated fraud guidance to relevant staff

Employment (Recruitment Fraud):

- Review of processes around agency workers (claims etc) to ensure robustness
- Extend pre-employment checks to reduce risks around possible employment of those that have been subject to people trafficking

Employment (Payment Fraud):

- Data analysis of payroll information and costs

Money Laundering

- Communications and training to embed updated policy once complete

Cyber Fraud

- Benchmark against National Cyber Security Centre – 10 Steps to Cyber Security

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

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

5.0 Equalities Implications

5.1 There are no equality implications in the report.

6.0 Financial Implications (FIN20-21/4959)

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

7.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

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

Background Papers

None

For further information please contact Nick Wilson on Ext 5317

Nick Wilson
Business Manager – Financial Services

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)



NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

LIKELIHOOD	4 Almost certain					Occurs several times per year – it will happen
	3 Probable	Employment Fraud : Payment	Housing Benefit Council Tax Support Council Tax Procurement Fraud : Contracts & Payments Cyber Fraud			It has happened before – and could happen again
	2 Possible	Insurance Fraud Council Assets (fraudulent use) Bank Fraud	Assets : Land and Property Assets : Equipment Development Management Housing Fraud	NNDR		It may happen but it would be unusual
	1 Hardly ever	Credit Income & Refunds Money Laundering Employment Fraud : Recruitment	Electoral Fraud– Elections Electoral Fraud–Registration Economic & Third Sector fraud	Investment Fraud		Never heard of it occurring – we cannot imagine it occurring
		1 Negligible	2 Minor	3 Major	4 Critical	
IMPACT						

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

CROSS CUTTING ACTIONS IDENTIFIED – FEBRUARY 2020
Counter Fraud awareness sessions for employees
Regular Page Tiger surveys on fraud themes
Update of policy documents
Develop a communications plan around the updated policies

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	HOUSING BENEFIT FRAUD
Risk Owner	Business Manager – Revenues and Benefits
FRAUD TYPES	<ul style="list-style-type: none"> • False applications • False documents • Failing to notify change
CONTROLS	<ul style="list-style-type: none"> • Housing Benefit Anti-Fraud Strategy • Annual participation in National Fraud Initiative • Other data matching initiatives in place – real time information reviewed frequently (pensions, earnings & employment records (against universal credit etc) • HBMS – Government housing benefit matching scheme • DWP (FES) use prosecution, caution & admin penalties – NSDC no longer have powers • Key controls in the housing benefit application process – prevention & detection • Authorised officer powers – access to employers, landlords, banks & building societies • Daily ATLAS updates (including UC) notifications/updates to system • Fraud awareness training & ad hoc communication to social landlords • Financial Regulations • Experienced benefits staff • Combined database with revenues • Only accept original documents in support of claims • Subscription to National Anti-Fraud Network • DWP led Housing Benefit review • Communications & publicity • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Council Tax and Housing teams sharing intelligence to identify potential fraud
AGREED ACTIONS	<ul style="list-style-type: none"> • Collaborative working with other areas of the council • Consider taking part in DWP Accuracy Initiative (October 2020)
RISK EXPOSURE	<ul style="list-style-type: none"> • Since December 2016 : 32 cases confirmed as fraud & sanctioned (Other cases still being investigated) • Value: <ul style="list-style-type: none"> ○ £160,381 (HB) ○ £29,816 (CTS) • Housing Benefit bill for 2019/20 : £20.8m • Forecast for 2020/21 - £17.5m • National Fraud Authority potential annual fraud losses = 0.7% or £122k
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	GREEN

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

TARGET RISK				CURRENT RISK			
X					X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	COUNCIL TAX SUPPORT SCHEME		
Risk Owner	Business Manager – Revenues and Benefits		
FRAUD TYPES	<ul style="list-style-type: none"> • False applications • Failure to notify change in circumstances 		
CONTROLS	<ul style="list-style-type: none"> • Most controls are the same as Housing Benefits • Anti-Fraud & Corruption Strategy • Council Tax Support policy • Counter-fraud page on website detailing how public can report fraud • Financial Regulations • Whistleblowing Policy • LCTS included in National Fraud Initiative (data matching) from October 2016 • Closer working – Council Tax and Housing share intelligence and identify potential fraud opportunities (sharing intelligence – informal arrangement) 		
AGREED ACTIONS	Need to consider use of sanction powers for LCTS – under Local Government Finance Act 1992		
RISK EXPOSURE	<ul style="list-style-type: none"> • 1 confirmed fraud case since December 2016 (joint case with DWP) • Annual level of council tax support paid : £6.4m • Forecast for 2019/20 - £6.6m • National Fraud Authority potential annual fraud losses = 0.7% or £46k 		
CURRENT RISK SCORE	AMBER		
TARGET RISK SCORE	GREEN		
TARGET RISK		CURRENT RISK	
X	X	X	X
X	X	X	X
X	X	X	X
X	X	X	X

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	COUNCIL TAX FRAUD																																	
Risk Owner	Business Manager – Revenues and Benefits																																	
FRAUD TYPES	<ul style="list-style-type: none"> • Single person discount • Avoidance of liability through any other fraudulent claim for council tax discount or exemption • New properties not on the list: <ul style="list-style-type: none"> ○ built without planning permission ○ No notification of properties built and occupied ○ Or built and substantially complete 																																	
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • National Fraud Initiative – data matching • Monthly monitoring of council tax base • Liaising with the university – access to student lists & annual review of students continued attendance on course • Application checks • Check electoral register • Information from planning re Developments where full planning not required • Checks on documentary evidence for exemptions • Visual inspection • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Counter-fraud page on website detailing how public can report fraud • County-wide Second Person Discount review completed 																																	
AGREED ACTIONS	Closer working – Council Tax and Housing to share intelligence and identify potential fraud opportunities																																	
RISK EXPOSURE	<ul style="list-style-type: none"> • Annual Council Tax Income collected : approximately £73m • National Fraud Authority potential annual fraud losses : 4% or £2.924m (NSDC share = £290k) • Value of SPD fraud confirmed since December 2018 : £72,341 (233 fraud cases and 41 errors) 																																	
CURRENT RISK SCORE	AMBER																																	
TARGET RISK SCORE	GREEN																																	
TARGET RISK		CURRENT RISK																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	NNDR FRAUD			
Risk Owner	Business Manager – Revenues and Benefits			
FRAUD TYPES	<ul style="list-style-type: none"> • Failure to declare occupation • Payment using false bank details • Companies going into liquidation then setting up as new companies • Avoidance of liability through fraudulent claim for discount or exemption • Empty rate avoidance 			
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • Ensure liable person identified for each assessment on the list • Information sharing with other Business Units • Inspections of occupied properties • Checking empty properties • Information from Landlords or letting agents • Public complaints – reports to valuation office • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Register of Gifts & Hospitality/Register of Interests • Supporting evidence requested • Counter-fraud page on website detailing how public can report fraud • Use of Analyse Local to monitor threats • Shared inspection resource – NDR along with other Notts Districts employ shared resource to check empty properties, quality assurance for existing properties and identify new and additional properties • More staff involved – eyes on NDR 			
AGREED ACTIONS	Proactive NNDR review - Use analytical approach to target main business rate payers (20-30 in number that make up 90% of IRRV) in line with best practice			
RISK EXPOSURE	<ul style="list-style-type: none"> • Annual NNDR income collected - approx. £41m • National Fraud Authority potential annual fraud losses : 3.76% or NSDC share £154.1k 			
CURRENT RISK SCORE	AMBER			
TARGET RISK SCORE	GREEN			
	TARGET RISK		CURRENT RISK	
			X	
	X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	CREDIT INCOME AND REFUND FRAUD																																								
Risk Owner	Business Manager – Revenues and Benefits																																								
FRAUD TYPES	<p>Council tax/NDR/Rents</p> <ul style="list-style-type: none"> • Suppression of notification of debt to be raised • Improper write-off • Failing to institute recovery proceedings • Switching or transferring arrears • manipulation of credit balances • Payment using false / fraudulent instrument then re-claim of refund • Employee based; false payment then request for refund 																																								
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • Debit/credit card payments monitoring • Review of unusual activity • Refund to original card/bank account where appropriate • Authorisation procedures & levels • Checking against other accounts (Council Tax etc.) to ensure no other money owed to NSDC • Staff counter-fraud training • Audit trail/personal logins • Reconciliations • Budgetary controls • Write off policy • Debt recovery procedures • Supervisory controls • Review of credit balances and suspense items • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud details on intranet • Cashless system • Cash limits in place • Follow up payment sources 																																								
AGREED ACTIONS	<ul style="list-style-type: none"> • Revenue and Benefits Team to discuss if any fraud risks in this area • 'joined up' refund process review across services 																																								
RISK EXPOSURE	<ul style="list-style-type: none"> • Total value of refunds made in 2019/20 : £2.82m • Total value of write-offs in 2019/20 : £390,032 (Refunds and write-offs relating to NDR and Council Tax) 																																								
CURRENT RISK SCORE	GREEN																																								
TARGET RISK SCORE	GREEN																																								
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TARGET RISK				CURRENT RISK																																					
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	PROCUREMENT & CONTRACT FRAUD (CONTRACTS)
Risk Owner	Business Manager – Financial Services
FRAUD TYPES	<ul style="list-style-type: none"> • Bid rigging & cartels – including cover pricing • Bribery of officers or Members involved in contract award • Collusion between officers and contractors involved in tendering • Violation of procedures • Manipulation of accounts • Failure to supply • Failure to supply to contractual standard • Inflating performance information to attract greater payments
CONTROLS	<ul style="list-style-type: none"> • NAFN & fraud alerts • Contract procedure rules • Financial Regulations • Contract management • Contract Terms & Conditions • Equifax check on accounts • Finance team check on accounts for large contracts • Evaluation teams for award of contracts - individual scoring • Code of Conduct • Whistleblowing policy • OJEU regulations • Register of Gifts & Hospitality/Register of Interests • Secure receipt and storage of tenders • Anti-Fraud & Corruption Strategy • Staff counter-fraud training • Internal Audit reviews • Separation of duties • Contract management training • Advertisement of contract opportunities • Transparency Code 2014 and Transparency agenda • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on new intranet • CIPFA guidance – Managing the Risk of Procurement Fraud • Procurement guidance on Contract Management on intranet • Invoice reconciliation procedures for key utility bills (gas/electricity) in Admin Services BU • Housing capital expenditure is now channelled through the Council's e-tendering platform
AGREED ACTIONS	<ul style="list-style-type: none"> • Annual review of contract management performance of a selection of key contracts. Deployment of Procontract system including controls and full audit trail • All procurements should be logged on Procontract • Ensure Contract Policy & Procedure Rules (CPPRs) are up to date • Spot checks to ensure CPPRs compliance • Actions against lessons learned
RISK EXPOSURE	<ul style="list-style-type: none"> • Total annual supplier spend 2018/19 – approx. £33.3m. • National Fraud Authority - potential annual fraud losses (1% or £333k)
CURRENT RISK SCORE	AMBER
TARGET RISK	GREEN

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

SCORE							
TARGET RISK				CURRENT RISK			
X					X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	PROCUREMENT AND CONTRACT FRAUD (PAYMENTS)
Risk Owner	Business Manager – Financial Services
FRAUD TYPES	<ul style="list-style-type: none"> • Credit cards & procurement cards • False invoices & claims • Duplicate payments (false submission) • Senior executive fraud • BACS fraud - fraudulent change of bank details • Mandate fraud • Fake details for internet payments • Claiming petty cash for personal items • Records or methods of payment
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • National Fraud Initiative • Whistleblowing Policy • Payment authorisation process • Reconciliations • Audit Trail/personal logins • Segregation of duties • Check/approval on changes to creditor details (to prevent mandate fraud) • Budgetary control • Card security features • Ownership for cards identified • Staff counter-fraud training • NAFN fraud alerts • Experienced staff • Internal Audit reviews • Transparency reporting • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Financial Regulations training for all appropriate staff • Future housing capital expenditure, previously managed by Newark and Sherwood Homes, to be channelled through the Council's Proactis e-tendering platform
AGREED ACTIONS	<ul style="list-style-type: none"> • Review 'off contract' spend – suggest use of transparency data (over £500) as a source or top 50 contracts by value • Proactive reviews of Interests, Gifts and Hospitality Registers
RISK EXPOSURE	<ul style="list-style-type: none"> • Total annual supplier spend 2018/19 – approx. £33.3m. This value can fluctuate depending on construction projects at the time • National Fraud Authority-potential annual fraud losses (1% or £333k)
CURRENT RISK SCORE	AMBER
TARGET RISK SCORE	GREEN
TARGET RISK	CURRENT RISK

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	BANK FRAUD																																		
Risk Owner	Business Manager – Financial Services																																		
FRAUD TYPES	<ul style="list-style-type: none"> • False instruments • Misuse of cheques • Alteration of existing cheques • Bank Mandate fraud • Direct Debit, Standing Order fraud on Council’s bank account • Theft of customer card data 																																		
CONTROLS	<ul style="list-style-type: none"> • Up to date Financial Regulations (and training) • Up to date Anti-Fraud & Corruption Strategy • Bank reconciliation • Control accounts • Cheque signatories – authorisation • Letter from banking/ID to withdraw cash • Audit trail/personal logins • Verify changes of bank account details using original contact information & audit trail • Security checks on standing orders • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Register of Gifts & Hospitality/Register of Interests • NAFN fraud alerts • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet 																																		
AGREED ACTIONS	Issue bank mandated fraud guidance to relevant staff																																		
RISK EXPOSURE	<ul style="list-style-type: none"> • 2018/19 - processed by bank: <ul style="list-style-type: none"> ○ 9639 debit transactions ○ 81182 credit transactions 																																		
CURRENT RISK SCORE	GREEN																																		
TARGET RISK SCORE	GREEN																																		
TARGET RISK		CURRENT RISK																																	
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	INVESTMENT FRAUD			
Risk Owner	Business Manager – Financial Services			
FRAUD TYPES	<ul style="list-style-type: none"> • Fraudulent misappropriation of assets • Loss through breach of procedures • False instruments 			
CONTROLS	<ul style="list-style-type: none"> • Treasury Management Strategy • Investment procedures • Authorisation procedures for investments & loans • Treasury Management advisers • Suitability checks on investments • Segregation of duties • Regular independent supervision • Audit trail of investments & personal logins • Staff counter-fraud training • Financial Regulations (and training) • Anti-Fraud & Corruption Strategy • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Register of Gifts & Hospitality & Register of Interests 			
ACTIONS	n/a			
RISK EXPOSURE	Average level of investment for 2018/19 approx. £32m (average)			
CURRENT RISK SCORE	GREEN			
TARGET RISK SCORE	GREEN			
	TARGET RISK		CURRENT RISK	
		X		
			X	

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	ASSETS (LAND AND PROPERTY)																																			
	<ul style="list-style-type: none"> • Business Manager - Asset Management • HRA Director - Safety • Business Manager - Strategic Housing • Business Manager – Financial Services 																																			
FRAUD TYPES	<ul style="list-style-type: none"> • Selling asset for less than market value • Collusion between staff and purchaser – may include provision of insider knowledge (e.g. planning, leases & covenants) 																																			
CONTROLS	<ul style="list-style-type: none"> • Asset Management Plan • Asset register • Segregation of duties • Independent valuation or auction • Committee scrutiny and authorisation • Financial Regulations • Anti-Fraud & Corruption Strategy • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Register of Gifts & Hospitality/Register of Interests • Credit checks on potential purchasers • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Spot checks of council housing HRA Development and disposal programme 																																			
AGREED ACTIONS	n/a																																			
RISK EXPOSURE	<ul style="list-style-type: none"> • Net book value of Land & Buildings (not including Council Houses) : approx. £74.2m • ICT equipment value - £1.035m • Net book value of Council Dwellings £267.7m 																																			
CURRENT RISK SCORE	GREEN																																			
TARGET RISK SCORE	GREEN																																			
TARGET RISK		CURRENT RISK																																		
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	ASSETS (EQUIPMENT)																																
Risk Owner	Business Manager - ICT																																
FRAUD TYPES	<ul style="list-style-type: none"> • Selling asset for less than market value • Collusion between staff and purchaser • Disposal of assets no longer required by the council 																																
CONTROLS	<ul style="list-style-type: none"> • Asset Disposal policy • Asset register • Financial Regulations • Anti-Fraud & Corruption Strategy • Staff counter-fraud training • Segregation of duties – includes systems administration, raising and authorising of financial procurements • Internal Audit reviews • Whistleblowing Policy • Register of Gifts & Hospitality & Register of Interests • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet • Financial Regulations training for all appropriate staff • Verification of Right To Buy valuations 																																
ACTIONS	n/a																																
RISK EXPOSURE	Net book value of vehicles, plant and equipment = approx. £4.8m																																
CURRENT RISK SCORE	GREEN																																
TARGET RISK SCORE	GREEN																																
TARGET RISK	CURRENT RISK																																
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	X																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

	<ul style="list-style-type: none"> • False sickness claims • Not working required hours or undertaking required duties • Working for multiple employers (without informing manager) • False declarations of mileage • False supporting documentation • Breaches of authorisation and payment procedures • Abuse of time • Inappropriate acceptance of gifts or hospitality • Non-declaration of interests 																																								
CONTROLS	<ul style="list-style-type: none"> • HR policies – sickness, Appraisals, disciplinary capability and flexi time scheme. • Financial Regulations • Anti-Fraud & Corruption Strategy • Separation of duties between HR, Payroll & Business Managers • Contracts • Access controls • Management supervision & authorisation of claims • Budgetary control • Exception reports produced and reviewed • Audit trail/personal logins • Any employee changes signed off by HR Manager • Reconciliation of payroll to BACS payments • Probation periods • Register of Gifts & Hospitality/ Register of Interests • Medical certification for sickness • Request forms to request permission to undertake additional employment and secondary employment register • Training for managers on disciplinary process • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet 																																								
AGREED ACTIONS	Data analysis of payroll information and costs e.g. claims to detect and prevent fraud																																								
RISK EXPOSURE	<ul style="list-style-type: none"> • Total cost of payroll including expenses payments 2017/18 = £11.3m • National Fraud Authority potential annual fraud losses = 0.2% or £22k • Average number of employees paid monthly – 422 																																								
CURRENT RISK SCORE	GREEN																																								
TARGET RISK SCORE	GREEN																																								
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TARGET RISK				CURRENT RISK																																					
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**NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK
ASSESSMENT (FEBRUARY 2020)**

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	INSURANCE FRAUD			
Risk Owner	Business Manager – Financial Services			
FRAUD TYPES	<ul style="list-style-type: none"> • False insurance claims • Duplicate or serial claims 			
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • Claims Handlers • Experienced staff • Alerts on current national trends to insurance team • Prior year information on data base to match to previous claims • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Financial Regulations training for all appropriate staff – completed 			
AGREED ACTIONS	n/a			
RISK EXPOSURE	<ul style="list-style-type: none"> • Number of claims received 2018/19 = 29 • Total value of claims settled 2018/19 = £3931 			
CURRENT RISK SCORE	GREEN			
TARGET RISK SCORE	GREEN			
	TARGET RISK		CURRENT RISK	
	X			

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	ELECTORAL FRAUD (ELECTIONS)																																			
Risk Owner	Business Manager – Democratic Services																																			
FRAUD TYPES	<ul style="list-style-type: none"> • Fraudulent voting • Fraudulent acts by poll clerks & presiding officers at polling stations • Fraudulent acts by postal vote opening staff • Fraudulent acts by verification / count staff 																																			
CONTROLS	<ul style="list-style-type: none"> • Integrity Plan (Registrations and Elections) • Anti-Fraud & Corruption Strategy • Supervisory roles identified at counts and senior staff appointed to these • Postal votes opening sessions are supervised with controls in place to oversee process • More focus on preventing false applications • Access controls at polling stations & counts • Ballot box controls • Ballot paper accounts checked as part of verification process • Insurance in place • Pre-employment checks • Supervisory checks • Staff application forms scrutinised before processing • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Dedicated SPOC at Nottinghamshire Police who would be informed of possible issues with fraud 																																			
AGREED ACTIONS	Ongoing monitoring of potential risks																																			
RISK EXPOSURE	Any incidents would be raised with the Police via their Single Point of Contact																																			
CURRENT RISK SCORE	GREEN																																			
TARGET RISK SCORE	GREEN																																			
TARGET RISK		CURRENT RISK																																		
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	ELECTORAL FRAUD (ELECTORAL REGISTRATION)																																
Risk Owner	Business Manager – Financial Services																																
FRAUD TYPES	<ul style="list-style-type: none"> • Fraudulent applications for individual electoral registration (IER) • Fraudulent application for absent voting (postal & proxy) • Fraudulent acts by staff employed as canvassers 																																
CONTROLS	<ul style="list-style-type: none"> • Integrity Plan in place for electoral registrations • Anti-Fraud & Corruption Strategy • Verification process through the IER digital service • Supervisory checks on verification failures • Request for evidence letters sent • Application forms scrutinised before processing • Confirmation letters sent to successful applicants 																																
AGREED ACTIONS	Ongoing monitoring for potential risks of fraud																																
RISK EXPOSURE	Any incidents would be raised with the Police via their Single Point of Contact																																
CURRENT RISK SCORE	GREEN																																
TARGET RISK SCORE	GREEN																																
TARGET RISK	CURRENT RISK																																
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	DEVELOPMENT MANAGEMENT			
Risk Owner	Business Manager – Development Management			
FRAUD TYPES	Corruption and collusion including: <ul style="list-style-type: none"> • Inducements • Conflict of interest/bribery • Planning - S106, affordability and other areas where officers are checking compliance & fines issued etc • Using Planning Process to increase land values • False representation 			
CONTROLS	<ul style="list-style-type: none"> • Supervisory checks by Team Leaders/Manager on planning applications • One to one discussion with all case officers • Open & visible process all cases open to Team leaders & peers (due to past issues and high profile) • Planning Committee and Public scrutiny • Pre application advice • Report for all applications and pre-application advice with explanation of grant or refusal • Sign off of completion by Business Manager Development or Senior Planner and Ombudsman (3rd party scrutiny) - planning appeal system • Reconciliation of planning fees • Separation of duties in the fee procedure (receipting, banking, planning application) • System flag for duplicated applications • Audit trail on fee income • Significant enforcement action-reporting & sign off • Section 106 – separation of duties, legal agreement, triggers for payment monitored, monitoring group, reconciliation • Constitution including Members conduct re planning • Register of Gifts & Hospitality/Register of Interests • Financial Regulations • Anti-Fraud & Corruption Strategy • Staff counter-fraud training • Code of Conduct (officers & Members) • Internal Audit reviews • Whistleblowing Policy • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on intranet 			
ACTIONS	Review of fraud controls to ensure robust			
RISK EXPOSURE	n/a			
CURRENT RISK SCORE	GREEN			
TARGET RISK SCORE	GREEN			
TARGET RISK		CURRENT RISK		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

	X				X		

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	ECONOMIC & THIRD SECTOR FRAUD																																		
Risk Owner	Deputy Chief Executive																																		
FRAUD TYPES	<p>Any fraud that involves the false payment of grants, loans or any financial support to any private individual or company, charity, or non-governmental organization:</p> <ul style="list-style-type: none"> ○ Fake applications ○ Collusion ○ Misuse of funds ○ Failure to deliver agreed service 																																		
CONTROLS	<ul style="list-style-type: none"> ● Substantiate authenticity of application ● Regular monitoring of delivery ● Check & authorisation of grant & loan claims ● Separation of duties between grant or loan approval & sign off ● Regular review of loan processes takes place ● Grant criteria ● Quotes for work ● Grant assessment ● Financial Regulations ● Anti-Fraud & Corruption Strategy ● Staff counter-fraud training ● Internal Audit reviews ● Whistleblowing Policy ● External legal advice ● Retentions based on performance ● Counter-fraud page on website detailing how public can report fraud ● Counter Fraud section on intranet 																																		
ACTIONS	n/a																																		
RISK EXPOSURE	<ul style="list-style-type: none"> ● National Fraud Authority potential annual fraud losses : 1% or £9k ● Total Think BIG loans amount outstanding to March 2019 - £514k ● Total Think BIG loans granted - £1.637m ● Total Disabled Facilities Grants awarded 2017/18 : £549k ● Total grants awarded to voluntary sector 2016/17 = £147k 																																		
CURRENT RISK SCORE	GREEN																																		
TARGET RISK SCORE	GREEN																																		
TARGET RISK		CURRENT RISK																																	
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	HOUSING FRAUD
Risk Owner	<ul style="list-style-type: none"> • Director – Housing, Health and Wellbeing • Business Manager - Strategic Housing • Business Manager - Housing Options
FRAUD TYPES	<ul style="list-style-type: none"> • Fraudulent application - false information • False homelessness applications - false information • Key selling • Fraudulent succession • Unlawful sub-letting • Using property as second home • Right to Buy - fraudulent application, valuation, etc.
CONTROLS	<ul style="list-style-type: none"> • Council Approach to Tenancy Fraud document • National Fraud Initiative • Form of identification required from applicants • Proof of residency required • Documents obtained to support claim • Checks on information provided • Summary check at allocation stage • Declaration and future changes signed by applicant • Confirmation of all information e.g. previous tenancies • Robust tenancy agreement and sign up info to tenant re rules • Tenancy audit process • Using and sharing intelligence – across council • Publicity of impact and consequences • Eviction powers • Home visits • Photographs • Acting on hearsay evidence & information from other bodies (eg police) • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Separation of duties • Register of Gifts & Hospitality/Register of Interests • Counter-fraud page on website detailing how public can report fraud • Counter Fraud section on new intranet • Robust Allocation Scheme
ACTIONS	<ul style="list-style-type: none"> • Develop relationship with between Housing & Council Tax – e.g. single person accounts, to enhance sharing of information in order to have a collaborative approach to fraud detection • Housing Options to reviews SLA's in place to ensure 'counter fraud' is incorporated into these • Inclusion of the annual number of tenancy fraud cases in the Council's approved performance monitoring framework
RISK EXPOSURE	<ul style="list-style-type: none"> • Sub-letting tenancy fraud cases in 2018/19 - 0 • Sub-letting tenancy fraud cases in 2019/20 - 1 • No of Council houses approximately - 5530 • Annual rent income approximately - £22.7m

NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	FRAUDULENT USE OF COUNCIL ASSETS																		
Risk Owner	All Directors and Business Managers																		
FRAUD TYPES	<ul style="list-style-type: none"> • Theft of assets and equipment • Sale of assets and equipment 																		
CONTROLS	<ul style="list-style-type: none"> • Financial Regulations • Anti-Fraud & Corruption Strategy • Guidance for Dealing with Irregularities • Management controls • Induction process • Security policy • User reports e.g. internet, telephone (procurement team monitor usage of ICT assets for potential abuse) • Internet use policy • Access controls • Software audit facility • Code of conduct • Inventory checks • Complex passwords • Separation of duties – eFinancials account set up • Staff counter-fraud training • Internal Audit reviews • Whistleblowing Policy • Counter Fraud section on intranet 																		
ACTIONS	Spot checks to inventory records																		
RISK EXPOSURE	n/a																		
CURRENT RISK SCORE	GREEN																		
TARGET RISK SCORE	GREEN																		
TARGET RISK		CURRENT RISK																	
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NEWARK AND SHERWOOD DISTRICT COUNCIL – FRAUD RISK ASSESSMENT (FEBRUARY 2020)

FRAUD RISK	CYBER FRAUD																																		
Risk Owner	Business Manager - ICT																																		
FRAUD TYPES	<ul style="list-style-type: none"> • Risk of ransomware attack • Systems unavailability leading to: • Reputation loss • Service delivery loss including inability to process BACS 																																		
CONTROLS	<ul style="list-style-type: none"> • IPS/IDS implemented, along with Geo location blocking • Firewalls, email & internet detection software in place • Education programme for all staff with regular reminders • Quarterly scans performed on network • Incident Response Plan in place • Mobile Device Management • NCSC Webcheck / NCSC mail check • Secure e mail protocols 																																		
ACTIONS	<ul style="list-style-type: none"> • Gain Cyber Essentials accreditation • Benchmark against National Cyber Security Centre – 10 Steps to Cyber Security 																																		
RISK EXPOSURE	This area remains emerging and rapidly evolving risks – difficult to assess exposure																																		
CURRENT RISK SCORE	GREEN																																		
TARGET RISK SCORE	GREEN																																		
TARGET RISK		CURRENT RISK																																	
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AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

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

1.0 Purpose of Report

1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 27 November 2019.

2.0 Background Information

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

3.0 Counter Fraud Detection

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

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

3.3 Referral procedures have been established and since 1 December 2015, **212** potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation. Of these 32 cases have been confirmed as fraud and sanctioned by the DWP.

4.0 Other Counter-Fraud Work

4.1 As part of the Council's response to the COVID-19 Pandemic, grants have been given to Businesses through the Governments Small Business and Retail, Hospitality and Leisure grant schemes. A data matching exercise has been conducted through the National Fraud Initiative and of 2,272 grants, 749 were flagged as requiring a review. To date 528 of these have been reviewed and 3 have been recorded as a potential fraud. Action is currently being taken to retrieve those funds.

4.2 ICT have also been involved in several pieces of work in order to reduce the risk of fraud:

- PCI-DSS Compliance - Reducing the risk of fraudulent activity between card payment operators (tills, telephony and automated) and the card holder. An external QSA has provided support on compliance to Newark and Sherwood District Council for assurance.

Areas currently outside of SAQ A rating (SAQ A – no card holder data stored in the environment) is the telephony system, however a telephony replacement report will be provided to P&F with recommendations for PCI complaint phone system.

- Phishing Simulations - Simulated phishing or a phishing test is where deceptive emails, similar to malicious emails, are sent by an organisation to their own staff to gauge their response to phishing and similar email attacks.
- Cyber awareness training - Explains the technical aspects of cyber security in ways that are relevant to staff, so that they can help keep their organisations (and themselves) safe from cyber-attack.
- Updating and patching internal and external facing systems from vulnerabilities - An insider threat is a malicious threat to an organization that comes from people within the organization, such as employees, former employees, contractors or business associates, who have inside information concerning the organization's security practices, data and computer systems

5.0 The National Fraud Initiative (NFI)

- 5.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.
- 5.2 During 2019/20 1,418 Council Tax the single person discount awards were investigated. Of the matches generated by NFI, 173 cases of suspected fraud were identified amounting to £55,115.03.
- 5.3 In addition to this a further exercise was done at the beginning of 2020 which identified a further 60 cases of suspected fraud amounting to an additional £17,226.39.
- 5.4 The 2020/21 exercise commenced in February 2020 following the release of single person discount matching data. This exercise comprises of Accounts Payable, Payroll, Personal Alcohol licences, Taxi drivers licences, Right to buy, Housing tenants, Housing waiting list, Housing benefits, Council Tax reduction scheme, Single person discounts and the Electoral roll. Due to the impact of Covid 19 limited work has been undertaken in the investigation of the matches – this will be picked up during the rest of this year.

6.0 Future Counter Fraud Work

- 6.1 Discussions have taken place with Assurance Lincolnshire in relation to producing a virtual training session, which will 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 is anticipated that this would be deployed in Q3 of this financial year.

7.0 Equalities Implications

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

8.0 Financial Implications (FIN20-21/7127)

8.1 Overpayments can be a serious drain on the Council's resources, whether due to fraud or error. Work undertaken to prevent and detect fraud and error and to reclaim overpayments can support the Councils' budget at a time of funding cuts.

8.2 Funding for counter-fraud work can be found from savings made in the cost of external and internal audit.

9.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

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

Background Papers

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

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

Nick Wilson
Business Manager - Financial Services

URGENCY ITEMS - MINUTE OF DECISION

Delegation arrangements for dealing with matters of urgency

Paragraph 7.2.1 of the Council's Constitution provides that Chief Officers may take urgent decisions if they are of the opinion that circumstances exist which make it necessary for action to be taken by the Council prior to the time when such action could be approved through normal Council Procedures. They shall, where practicable, first consult with the Leader and Chairman (or in their absence the Vice-Chairman) and the Opposition Spokesperson of the appropriate committee.

Given the current emergency in respect of the Covid 19 pandemic and the decision taken to suspend committee meetings while social distancing measures continue, the urgency decision provision under Paragraph 7.2.1 of the Council's Constitution has been widened to extend the consultation to include the Leaders of all the political groups on the Council.

Subject:

HOMES ENGLAND COMPLIANCE AUDIT REPORT 2019/20 – HRA 5YR DEVELOPMENT PROGRAMME

Appropriate Committee:

Audit & Accounts Committee

1.0 Details of Item (including reason(s) for use of urgency procedure):

1.0 To inform the Committee the outcome of the Homes England Audit 2019/20 for the Council's 5 year Housing Revenue Account (HRA) Development Programme and actions taken and enable the Council to sign of the Audit on Homes England's Information Management System by the end of May 2020.

2.0 Background Information

2.1 In support of the Council's 5 years HRA Development Programme a grant of £4,307,635 (years 1 and 2) was provided to the Council through the Homes England affordable housing grants programme. As part of due diligence, Homes England have undertaken a routine audit of the delivery of the programme.

2.2 It is part of the grant conditions that the outcome of the audits are reported to the Council's senior management team and relevant Committee.

2.3 The Compliance Audit Programme provides assurance that organisations receiving grant have met with all Homes England's requirements and funding conditions and that providers have properly exercised their responsibilities as set out in the Capital Funding Guide, contract and any other supplementary compliance audit criteria.

2.4 The scope of the audit includes matters such as compliance with grant conditions, compliance in rent setting, contractor appointment and management and compliance in obtaining relevant planning and other approvals. Homes England use the audit findings to inform future investment decisions and to reassure them that public funds have been used properly.

3.0 Audit Findings

- 3.1 Standardised checks (off-site) were made by Council appointed Independent Auditors (Mazars) on two schemes in the district: Vicar’s Court, Clipstone, and Rainworth Water Road, Rainworth. During the audit, the Independent Auditor checks the scheme for compliance using questions from Homes England’s published checklists. The Independent Auditor reviews the information contained on file and reports any findings against Homes England’s policy and procedures.
- 3.2 The Homes England Lead Auditor reviews the Independent Auditor findings and records any breaches. Breaches are used as the basis for awarding grades to the provider. The Compliance Audit Report awards Providers a red, amber or green grade based on the number and severity of breaches recorded.
- 3.3 Green Grade – the provider meets the requirements through identifying no high or medium breaches. Amber Grade – one or more high or medium breaches but not misapplied public money. Red Grade – one or more high level breaches and there has been a risk of misapplication of public funds.
- 3.4 Newark and Sherwood District Council’s Compliance Audit has concluded that the Council has failed to meet requirements. This is due to seven breaches across the two schemes - three breaches of high severity (Breaches 4, 6 and 7) and four breaches of low severity (Breaches 1, 2, 3 and 5). The full Homes England Audit Findings are attached as Appendix A.
- 3.5 The Council has taken the necessary steps to ensure the high level breaches the Audit highlighted have been addressed and that processes are in place to reduce the risk of future audit failure as detailed below:-

Scheme	Breach Level	Breach Details	NSDC Procedure in place
Vicars Close, Clipstone	High	Building Regulations sign-off obtained 15 days after PC Grant Claim (Delay due to Severn Trent drain connection on land not in the Council’s ownership).	No IMS update will be carried out until all certification and contract documents have been checked and signed by the Project Manager. Certification and contract checklist has been formulated to ensure all relevant documents and dates are correct prior to IMS inputting.
Rainworth Water Road, Rainworth	High	Contract dated 6 days after claim for start on site.	No IMS update will be carried out until all certification and contract documents have been checked and signed by the Project Manager. Certification and contract checklist has been formulated to ensure all relevant documents and dates are correct prior to IMS inputting.

Rainworth Water Road, Rainworth	High	Start on Site grant payment claimed in advance of need (contract dated 6 days after claim for start on site)	No IMS update will be carried out until all certification and contract documents have been checked and signed by the Project Manager. Certification and contract checklist has been formulated to ensure all relevant documents and dates are correct prior to IMS inputting.
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3.6 The four breaches of low severity related to the same two schemes. They were:

- Costs not updated on IMS in a timely manner
- Incorrect property details included in IMS
- IMS incorrectly updated
- IMS not updated with revised costs, but no additional grant required

Processes are also being reviewed to ensure non-recurrence of these breaches in the future.

3.7 The findings from Homes England Compliance Audit raised awareness of the identified breaches and the Council instigated a wider review of all sites. The review determined that there are other schemes where the grant payment was claimed in advance of need (the contract was dated after the claim for start on site). The affected sites are:-

Beech Avenue	Ollerton	6 days in advance
Central Avenue	Blidworth	6 days in advance
Thorpe Road/Parkes Close	Coddington	17 days in advance
Valley View	Coddington	7 days in advance
Westhorpe	Southwell	10 days in advance
Lindsey Avenue	Newark	62 days in advance
Meldrum Crescent	Newark	62 days in advance

3.8 We have written to Homes England that we accept the conclusions of the Audit that high level or medium breaches have been made. Whilst we are of the opinion that the breaches did not misapply public monies, however, given that additional sites over the 5 year HRA Programme have also been affected, the Council did not challenge the results. In doing so, we indicated the presence of other breaches whose origins were the same as the schemes audited.

3.9 Homes England has confirmed it is satisfied with our response and indicated it is pleased to see the actions we have already put in place to ensure the errors noted last year do not re-occur. Homes England has confirmed it will formally review our progress against the recommendations in the report through your Contract Review Meetings in the coming year.

3.10 This response from Homes England is important as it means that the Compliance Audit findings will not impact upon the Council's ability to access its funding. Clearly, any further breaches could damage its confidence in the Council as being a suitable recipient of public funds.

3.11 It is highly likely that as a result of the conclusions of the Audit, that Homes England will also require another compliance audit within the next 12-18 months. It is therefore been agreed that further internal audit activity takes place to ensure that improved controls are effective to minimise the risk of a further disappointing Compliance Audit outcome.

4.0 Equalities Implications

4.1 There are no equalities implications.

5.0 Community Plan - alignment to objectives

5.1 Failure to meet Homes England's requirements could adversely affect the Council's ability to access funding for new homes, thus impacting on the Community Plan objective to deliver new affordable homes.

6.0 Financial Implications

6.1 Failure to meet the requirements of the Capital Funding Guide could adversely affect the Council's ability to access funding for new homes from Homes England.

7.0 Comments of Director(s)

7.1 The conclusions of the Compliance Audit report have provided valuable feedback about the robustness of some of the controls that were in place in relation to the development of new build, affordable homes. The remedial action being taken, supported by internal audit activity, will ensure that the outcome of any further Compliance Audit is satisfactory. This is important as we seek to secure further grant funding from Homes England to support the Council's development ambitions.

DECISION

The findings of the Compliance Audit have been accepted by the Council and Homes England has indicated it is satisfied with our response. The steps taken to address the breaches and ensure they do not reoccur should provide assurance to the Committee of the robustness of our response.

Members Consulted

Audit & Accounts Committee

Councillor Mrs Sylvia Michael (Chairman)
Councillor Mrs Betty Brooks (Committee Member)
Councillor Michael Brown (Committee Member)
Councillor Rob Crowe (Committee Member)
Councillor Donna Cumberlidge (Committee Member)
Councillor Mrs Maureen Dobson (Committee Member)

Councillor David Lloyd – Leader of the Council
Councillor Paul Peacock – Leader of the Labour Group
Councillor Mrs Gill Dawn – Leader of the Independent Group
Councillor Peter Harris – Leader of the Liberal Democrat Group

Background Papers

Homes England Compliance Audit Report 2019/20

A handwritten signature in black ink that reads "Suzanne Shead". The signature is written in a cursive, flowing style.

Signed: _____

Suzanne Shead, Director - Housing, Health & Wellbeing

Date: 8 June 2020



Compliance Audit Report – 2019/20
37UG – Newark and Sherwood District Council

Provider Code	37UG
Provider Name	Newark and Sherwood District Council
Final Grade	Red - Serious failure to meet requirements
Independent Auditor	Mazars
Homes England Lead Auditor	John Mather
Homes England Head of Home Ownership and Supply	Caroline Cormack

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England’s policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be ‘breaches’ in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided at the end of this document.

Further information is available at: <https://www.gov.uk/guidance/compliance-audit>.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.



Compliance Audit Grade and Judgement

Final Grade	Red - Serious failure to meet requirements
Judgement Summary	<p>Overall it is found that Newark & Sherwood District Council has failed to meet requirements. This is due to three High breaches – one at Vicars Close and two at Rainworth Water Road. In addition there were four Low Breaches across the two schemes.</p> <p>Vicars Close: At Practical Completion grant claim there was no evidence of Building Regulations approval. Practical Completion was achieved on 30th January 2019 and grant was claimed on the same day. Building Regulations approval was not achieved until 14th February 2019, after the final claim for grant; this is a High Breach.</p> <p>Rainworth Water Road: There were two separate High breaches relating to the signing and dating of the build contract. The grant claim for Start on Site was submitted on 21st March 2019; however the build contract is dated 27th March 2019. This is a failure to ensure:</p> <ol style="list-style-type: none"> 1. All IMS scheme details submitted in accordance with published guidelines set out in the relevant contract and CFG, and; 2. The main building contract had been signed and dated and contractual possession had been passed to the contractor prior to the Start on Site grant claim.

Audit Results

Number of Schemes Audited	2
Number of Breaches Assigned	7
Number of High Severity Breaches	3
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	4

Scheme details

Scheme no	Address	Scheme type
888359	ID96 Rainworth Water Road,NG21 0DU	Housing for Rent



820131	Vicars Close, N&SVicars Close,NG21 9AS	Housing for Rent
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Details of Breaches by Scheme

Where there are breaches identified, remedial action must be taken in accordance with recommendations listed in the Compliance Audit Module to mitigate the potential for re-occurrence.

Breach 1

IMS Scheme ID	820131
Scheme Address	Vicars Close, N&S, Vicars Close, NG21 9AS
Breach Type	General
Breach Text	9. Incorrect IMS data has been entered but there are no value for money implications. Examples might include typographical errors, or a failure to update the system with revised information
Breach Comment	Costs not updated on IMS in a timely manner.



Breach 2

IMS Scheme ID	820131
Scheme Address	Vicars Close, N&S, Vicars Close, NG21 9AS
Breach Type	General
Breach Text	9. Incorrect IMS data has been entered but there are no value for money implications. Examples might include typographical errors, or a failure to update the system with revised information
Breach Comment	Incorrect property details included in IMS.



Breach 3

IMS Scheme ID	820131
Scheme Address	Vicars Close, N&S, Vicars Close, NG21 9AS
Breach Type	Pre-development
Breach Text	13. IMS has not been updated in line with contract requirements. These requirements vary according to the programme 1. Under the AHP 2011-15, scheme details must be submitted through IMS within ten business days after Start on Site 2. Under the AHP 2015-18 and SOAHP 2016-21, firm schemes must be submitted to IMS by five days before Start on Site
Breach Comment	IMS incorrectly updated. Substantive breaches noted elsewhere.



Breach 4

IMS Scheme ID	820131
Scheme Address	Vicars Close, N&S, Vicars Close, NG21 9AS
Breach Type	Post-development
Breach Text	20. At Practical Completion grant claim: 1 There was no evidence of building regulations approval.2 There was no evidence of building regulations sign-off completion certificate.3 Secure legal interest had not been obtained (e.g. no proof of ownership/lease/building under licence).4 House builder warranty (National House Building Council or equivalent) final certificate not granted
Breach Comment	Building Regulations sign-off obtained after PC grant claim.
Recommendation	Newark & Sherwood District Council have received three high breaches for claiming grant ahead of achieving the requirements for the milestone. They should immediately review their current and recent programme to ensure those errors have not been, and are not, repeated and confirm this review has been completed satisfactorily to the Contract Manager. They should also undertake a thorough review of their practice and procedures in administering their development programme to ensure that all relevant consents and certificates are in place prior to claiming grant and to ensure that they maintain accurate information on IMS. The provider must present evidence to the Contract Manager that these reviews have been completed and the new procedures are in place by the Recommendation Deadline Date specified.
Recommendation Deadline	31/10/2020



Breach 5

IMS Scheme ID	888359
Scheme Address	ID96 Rainworth Water Road, , NG21 0DU
Breach Type	General
Breach Text	9. Incorrect IMS data has been entered but there are no value for money implications. Examples might include typographical errors, or a failure to update the system with revised information
Breach Comment	IMS not updated with revised costs, but no additional grant required.



Breach 6

IMS Scheme ID	888359
Scheme Address	ID96 Rainworth Water Road, , NG21 0DU
Breach Type	Development
Breach Text	16. Start on Site grant payment claimed in advance of need. This applies where, at date of Start on Site claim: 1. The works contract was not signed and/or dated by all parties.2 Contractual possession was not passed to contractor. 3 Secure legal interest had not been obtained (e.g. no proof of ownership/lease/building under licence).4 Start on Site works were not commenced according to CFG definition
Breach Comment	Contract dated after start on site claim date.
Recommendation	Newark & Sherwood District Council have received three high breaches for claiming grant ahead of achieving the requirements for the milestone. They should immediately review their current and recent programme to ensure those errors have not been, and are not, repeated and confirm this review has been completed satisfactorily to the Contract Manager. They should also undertake a thorough review of their practice and procedures in administering their development programme to ensure that all relevant consents and certificates are in place prior to claiming grant and to ensure that they maintain accurate information on IMS. The provider must present evidence to the Contract Manager that these reviews have been completed and the new procedures are in place by the Recommendation Deadline Date specified.
Recommendation Deadline	31/10/2020



Breach 7

IMS Scheme ID	888359
Scheme Address	ID96 Rainworth Water Road, , NG21 0DU
Breach Type	Development
Breach Text	16. Start on Site grant payment claimed in advance of need. This applies where, at date of Start on Site claim: 1. The works contract was not signed and/or dated by all parties.2 Contractual possession was not passed to contractor. 3 Secure legal interest had not been obtained (e.g. no proof of ownership/lease/building under licence).4 Start on Site works were not commenced according to CFG definition
Breach Comment	Contract dated after claim for start on site
Recommendation	Newark & Sherwood District Council have received three high breaches for claiming grant ahead of achieving the requirements for the milestone. They should immediately review their current and recent programme to ensure those errors have not been, and are not, repeated and confirm this review has been completed satisfactorily to the Contract Manager. They should also undertake a thorough review of their practice and procedures in administering their development programme to ensure that all relevant consents and certificates are in place prior to claiming grant and to ensure that they maintain accurate information on IMS. The provider must present evidence to the Contract Manager that these reviews have been completed and the new procedures are in place by the Recommendation Deadline Date specified.
Recommendation Deadline	31/10/2020



Breach 7

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit Module by your CA Provider Lead on behalf of your Board's Chair. Online acknowledgement should be completed within one calendar month of the report email notification being sent.

Report acknowledged by:

Date:

Compliance Grade Definitions

Green Grade	The Provider meets requirements: Through identifying no high or medium breaches, the Compliance Audit Report will show that the Provider has a satisfactory overall performance, but may identify areas where minor improvements are required.
Grade Amber	There is some failure of the Provider to meet requirements: Through identifying one or more high or medium breaches, the Compliance Audit Report will show that the Provider fails to meet some requirements, but has not misapplied public money. The Provider will be expected to correct identified problem(s) in future schemes and current developments.
Grade Red	There is serious failure of the Provider to meet requirements: Through identifying one or more high level breaches, the Compliance Audit Report will show that the Provider fails to meet some requirements and there is a risk of misuse of public funds. The Provider will be expected to correct identified problem(s) in future schemes and current developments.



Breach 7

Compliance Audit Report – 2019/20

37UG – Newark and Sherwood District Council

Provider Code	37UG
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AUDIT & ACCOUNTS COMMITTEE
30 SEPTEMBER 2020

WORK PLAN

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
25 November 2020	External Audit Supplementary Letter to Audit Completion Report	Nick Wilson	To update the Committee on the progress of the audit for 2019/20 in relation to the items identified as not being complete within the Audit Completion Report tabled at the September 20 Committee.
	Assessment of Going Concern status	Nick Wilson	This report provides assurance to members on the Council's status as a "going concern" in terms of the production of the Statement of Accounts
	Statement of Accounts 2019/20 & 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
	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Internal Audit Progress Report 2020/2021	Lucy Pledge/Emma Bee (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks
	Partnership Register	Natalie Cook	In order to gain assurance that the Council is managing the partnerships that it is involved within effectively
	Treasury Performance half-yearly report	Andrew Snape	Gain assurance that treasury management activities are in line with the current Treasury Management Strategy

	Responses to questions raised at previous meeting	Nick Wilson	
	Audit Committee Work Programme	Nick Wilson	
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
	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	