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Tuesday, 23 November 2021

Chairman: Councillor Mrs S Michael

Members of the Committee:

**Councillor Mrs B Brooks
Councillor M Brown
Councillor R Crowe
Councillor D Cumberlidge
Councillor J Lee**

MEETING: Audit & Accounts Committee

DATE: Wednesday, 1 December 2021 at 10.00 am

**VENUE: Civic Suite, Castle House, Great North Road,
Newark, Notts, NG24 1BY**

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

If you have any queries please contact 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

	<u>Page Nos.</u>
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 29 September 2021	4 - 7
5. Audit Committee Work Plan	8 - 9
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11. Results of the Assessment of Effectiveness of the Internal Audit Function	87 - 104
12. Appointment of External Auditors	105 - 109
13. Date of Next Meeting - Wednesday 2 February 2022	

Agenda Item 4

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, 29 September 2021 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

Councillor Mrs B Brooks, Councillor R Crowe and Councillor J Lee

APOLOGIES FOR ABSENCE: Councillor D Cumberlidge (Committee Member) and Councillor M Brown (Committee Member)

16 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.

17 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

18 MINUTES OF THE MEETING HELD ON 28 JULY 2021

that the Minutes of the meeting held on 28 July 2021 be approved as a correct record and signed by the Chairman.

19 AUDIT COMMITTEE WORK PLAN

The Committee noted the Work Plan provided by the Business Manager for Financial Services, who update the Committee of an additional report to come to the next meeting on 1 December 2021 to discuss the procurement of a new set of External Auditors from the 2023-2024 financial year and would then go to Full Council to make a decision by 11 March 2022 as required by PSAA as to whether to opt-in or opt-out of the national procurement process.

A Committee Member enquired as to the items being considered on the Work Plan noting that they would be moving from a Committee system to a Cabinet. The Business Manager for Financial Services advised all reports on the Work Plan would remain as is through to April 2022.

20 EXTERNAL AUDITORS' ANNUAL AUDIT COMPLETION REPORT

The Committee considered the report from the Business Manager for Financial Services providing the External Auditors Annual Audit Completion Report at Appendix A.

The report highlighted how the external auditors issue 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.

The Mazars representative David Hoose, present at the meeting, was able to confirm that while the accounts have been substantially audited, final confirmation of an unqualified opinion cannot be concluded until all audited areas are finalised and 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.

The Committee were informed that the date to finalise should have been 30 September 2021 this would now have to be 31 October 2021. Mazars confirmed that this was not due to any management delay and that all Nottinghamshire districts were affected with the delay by Grant Thornton with respect to the pension fund which was the same position found in last year. Mazars had received a draft through from Grant Thornton a couple of weeks ago with no reason for concern. The Committee were concerned that it should not happen again.

AGREED (unanimously) that:

- a) the Committee received the External Auditors Annual Audit Completion Report for 2020/2021;
- b) the Committee noted the adjustments to the audited draft financial statements set out in the report; and
- c) the letter of representation be noted and delegation given to the s151 Officer and the Chairman to sign and date the letter as the accounts are finalised as per para 3.4.

21 APPROVAL OF THE STATEMENT OF ACCOUNTS

The Committee considered the report from the Business Manager and Assistant Business Manager for Financial Services to obtain approval of the Council's Statutory Accounts for the financial year ended 31 March 2021.

The report highlighted that in accordance with the Accounts and Audit Regulations 2015 there is a legal requirement that the Statement of Accounts for the Council receive approval by an appropriate Committee by the 31 July following the end of the financial year to which the Accounts relate. However due to disruption caused by the COVID 19 virus, legislation (Amended by 2020/404 & 2021/263) it was passed to change the statutory publication date to 30 September. In accordance with the Council's Constitution and the remit of this Committee, the Statement of Accounts were brought to the Committee for approval.

AGREED (unanimously) that:

- a) Members approved the Annual Governance Statement for the financial

year ended 31 March 2021;

- b) Members approved the draft audited Statement of Accounts for the financial year ended 31 March 2021:
- c) Members give delegation to the s151 Officer and the Chairman to sign a revised set of accounts if required as per para 4.4; and
- d) Members noted that as per the previous report the s151 Officer and the Chairman have been given delegation to sign the Letter of Representation.

22 AUDIT & ACCOUNTS COMMITTEE ANNUAL REPORT

The Committee considered the report from the Business Manager for Financial Services informing Members of the activity undertaken by the Audit and Accounts Committee during the 2020/21 financial year.

The report provided an account of the year as to how the Committee had discharged its responsibilities during the year and as described within the Constitution.

AGREED (unanimously) that the Committee noted the activity within the year and refer on to Full Council for noting.

23 INTERNAL AUDIT CHARTER

The Committee considered the report from the Business Manager for Financial Services informing Members of the updates to the Internal Audit Charter.

The Assurance Lincolnshire representative McJoy Nkhoma, present at the meeting, updated the Committee on the Council's update of the Internal Audit Charter in order to comply with the most recent updates to the Public Sector Internal Audit Standards.

The report highlighted that due to updates in the professional standards it was relevant at this point to update the document and seek approval from this Committee for its operational use.

AGREED (unanimously) that the Committee approved the Internal Audit Charter for operational use.

24 INDEPENDENT MEMBER OF THE AUDIT & ACCOUNTS COMMITTEE

The Chairman informed the Committee that the Independent Member of the Audit & Accounts Committee, Stuart Turner, had tendered his resignation. Stuart had received a promotion and was now not able to devote time to the Independent Member role.

A Committee Member enquired as to the financial cost to re-advertise the role and was advised there would be no recruitment cost as advertised internally through sites such as LinkedIn, Facebook etc.

AGREED (unanimously) to re-advertise the role of Independent Member of the Audit & Accounts Committee and bring back to Full Council when someone has been appointed.

25 DATE OF NEXT MEETING

The next meeting would be held on Wednesday 1 December 2021.

Meeting closed at 10.34 am.

Chairman

AUDIT & ACCOUNTS COMMITTEE**1 DECEMBER 2021****WORK PLAN**

Meeting at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
2 February 2022	Partnership Register (Annual Report)	Ella Brady	In order to gain assurance that the Council is managing the partnerships that it is involved within effectively
	Draft Treasury Strategy 2022/23	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 2022/22	Andrew Snape	Outlines the principles and framework that shape the Council's capital proposals
	Draft Investment Strategy 2022/23	Andrew Snape	The investment strategy is a new report for 2019/20, meeting the requirements of statutory guidance issued by the government.
	Internal Audit Progress Report 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
	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
27 April 2022	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	Statement of Accounting Policies 2021/22	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
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Fraud Risk Assessment	Nick Wilson	Gain assurance that the Council understands its fraud risks and that actions are put in place to address them

AUDIT & ACCOUNTS COMMITTEE **1 DECEMBER 2021**

RISK MANAGEMENT

1.0 Purpose of Report

1.1 To provide an update to members on the status of the Council's 2021/22 Strategic Risk Register.

2.0 Background Information - Risk Management

2.1 Risk management is the management of business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities, making the right decisions and about achieving objectives once those decisions are made. This is achieved through:

- Identifying risk
- Controlling and managing risks
- Transferring risks (including insurance)
- Living with risks

2.2 A certain amount of risk taking is both inevitable and essential if the council is to achieve its objectives. The council recognises that the way it manages the many risks facing it contributes towards the successful implementation and achievement of its objectives/priorities.

3.0 Risk Management Performance

3.1 The strategic risk register is reviewed annually to ensure it remains relevant and effective.

An annual strategic risk workshop was held with SLT in late November 2020 with formal approval achieved in February 2021. During this workshop the following actions were undertaken:

- Annual review of the strategic risk register
- Full overview of the last audit report actions
- Evaluation of the risk review process
- Evaluation and determination regarding management of project risks
- Evaluation and determination of corporate risk maturity and appetite

3.2 Following approval a draft strategic risk register was produced, subsequently adopted and commenced operation in April 2021.

3.3 Performance of all strategic risks continue to be reported to the Senior Leadership Team (SLT) quarterly via the Transformation team's assurance reporting system. This includes identification of failing or "red" risks.

3.4 The corporate Risk Management Group also continues to meet on a quarterly basis to review risk management performance. Members of this group are provided with an overview of the current status and performance of strategic and operational risks. In addition members of the group raise and discuss new and/or emerging risks.

3.5 A full review of the risk management policy, associated guidance document and processes has been completed. These documents have been shared with members of the Risk Management Group. After consultation with the Risk Management Group the updated documents will be shared and approved by SLT prior to implementation.

4.0 Strategic Risks

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

4.2 As detailed in 3.1 a risk workshop, involving members of SLT, was undertaken to agree risks that are strategic in nature for the forthcoming year. When reviewing strategic risks, consideration is given to how the whole organisation is positioned to deliver its objectives having regard to internal/external factors, some of which are out of the Council’s control e.g. economic downturn.

4.3 The current risk register has 14 strategic risks. These are listed in the table below.

Strategic Risk Register – 2021/22		
Title	Description	Owner(s)
SR101 Financial sustainability – General Fund	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives	Sanjiv Kohli
SR102 Financial sustainability - HRA	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock.	Sanjiv Kohli Suzanne Shead
SR103 Safeguarding	Maintaining corporate safeguarding arrangements to ensure suitable and appropriate management of the councils safeguarding duties.	Matthew Finch
SR104 Failure to deliver growth infrastructure	Facilitating the provision of local infrastructure to ensure growth within the district to meet agreed plans & corporate priorities	Matthew Lamb
SR105 Contract/supply failure	Managing contracts with key suppliers, including NSDC wholly own companies, to ensure the continued delivery of an effective service and ensure delivery of the council’s priorities and objectives.	Deborah Johnson Suzanne Shead
SR106 Workforce	Ensuring the council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.	Deborah Johnson

SR108 Emergency response	The Council's ability to effectively respond as a category 1 responder to a major emergency and maintain a suitable response without affecting essential service delivery.	Matthew Finch
SR109 Corporate governance	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements.	Sue Bearman
SR110 Data management and security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation.	Sanjiv Kohli
SR111 Arkwood Development	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement.	John Robinson
SR112 Brexit	Effects of BREXIT on the council's ability to deliver services and to the sustainability of its communities.	
SR113 Community Issues - Pandemic	Immediate and longer term economic and societal impact of global pandemic on NSDC communities and its business economy – specifically concerned with: deprivation, direct effect on specific communities/vulnerable persons and the local economy.	Matthew Finch
SR114 Environment	Ability to meet requirements of the government's green agenda and aspirations/expectations of the NSDC community in delivering a greener/carbon neutral service.	Matthew Finch
SR115 Regulatory and Statutory compliance management	Implementation and maintenance of suitable statutory safety compliance management systems.	Sanjiv Kohli Suzanne Shead

4.4 The following table identifies significant alterations to the strategic risk register as agreed at the SLT annual risk workshop.

Risk	Summary of Change
SR103: Safeguarding	Amended description to more accurately reflect the council's role.
SR112: Brexit	Suspended until next formal review. The content has been incorporated within relevant strategic risks.

SR113: Community Issues – Pandemic	A new risk to reflect the issues facing communities and service delivery due to the impact of COVID 19
SR114: Environment	A new risk addressing the challenges of meeting both the government green agenda requirements and the aspirations and expectations of the council and its communities in delivering carbon neutral services.
SR115: Regulatory and statutory compliance management	A new risk that focusses on ensuring the statutory compliance is suitable managed and embedded across the council.

- 4.5 All the strategic risk identified above are owned by a member of SLT. Risk owners, with the assistance of lead officers and Safety and Risk Manager meet on a quarterly basis to review and develop the risk.
- 4.6 All current risks have been reviewed and action plans developed.
- 4.7 All twelve Strategic Risk assessments have been appended to this report in full.
- 4.8 **Risk Scores-** The table below illustrates the current risk scores and location of each strategic risk within the agreed corporate risk matrix.

Likelihood	4 Certain		SR105		
	3 Very likely		SR101	SR108, SR110, SR113, SR114, SR115	SR104
	2 Likely			SR102, SR103, SR106, SR109,SR111	
	1 Remote				
		1 Minor/ trivial	2 Moderate	3 Severe	4 Critical
	Impact				

- 4.9 Strategic risks SR 104, SR108, SR110, SR113, SR114 and SR115 are currently all identified as red risks. Whilst every reasonable effort will be made to reduce the risk to a level to ensure compliance with the corporate risk appetite, it should be noted that the very nature of strategic risks are complex and influenced by many outside factors/controls. Some actions can be very long term and in other cases the ability to reduce the risk further may not be in the control of the council.

5.0 Equalities Implications

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

6.0 Financial Implications

6.1 None from this report

7.0 RECOMMENDATION

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

Reason for Recommendations

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

Background Papers

Nil.

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

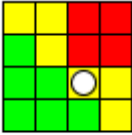
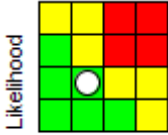
Matthew Finch
Director – Communities and Environment

Appendix 1

Code & Title	SR101 Financial sustainability – General Fund		Lead Officer	Kohli, Sanjiv (SLT)	
Description	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives		Supporting Officer(s)	Wilson, Nick (BM - FIN)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	27-Sep-2021	2	C	Controlled

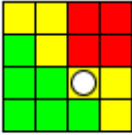
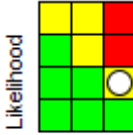
Controls/Actions In Place	<ul style="list-style-type: none"> • Quarterly Capital monitoring meetings • Investments approved in line with the annually agreed Treasury Management Strategy • Annual refresh of Medium Term Financial Plan including management of reserves • Council approved Capital programme • Financial implications added to Committee reports by Financial Services and a unique reference given each time • Financial strategies and budget reviewed through Policy and Finance Committee annually • Use of external Medium Term Financial Plan tool which assists with forecasting future Business Rates income for the following year budget • Assigned project manager for each major project the Council is embarking on • Corporate Projects Team established to identify business opportunities in service areas • Director/Business Unit Manager quarterly meetings reviewing Directorate financial position • Approved Commercial strategy to support objectives set out in the MTFP • Approved Investment Plan to support the objectives set out in the Commercial Strategy • Nottinghamshire Business Rates Pool mitigating large impacts of reductions in Business Rates. This is kept under review by Nottinghamshire S151 officers • Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee • Annual Financial Regulations training in place • Lead authority for administration around Notts Business rates pool
Vulnerability	<ul style="list-style-type: none"> • Financial • Meeting corporate objectives • Service delivery • Reputation • Governance • Compliance
Trigger/Event	<ul style="list-style-type: none"> • Unforeseen rise in interest rates over forecasted levels • Changes in national policy eg. fair funding review, change to government political parties • Banking crisis • Over reliance and poor decision making on investments • Member priorities diverging from corporate priorities • Increase CPI/RPI figures • Failure of subsidiary companies

	<ul style="list-style-type: none"> • Major contract failure • Failure of HRA • Reduction in Business Rates • Poor decision making and business planning • Budgeted income levels not meeting target • Impact on promised funding not as expected • Change in government policy significantly reducing income/funding • Changes in government policy/direction impacting resulting in additional costs • Failure in compliance/ governance • Fraud • Global Pandemic • Economic downturn • Cyber-attack/fraud see SR110 • Utility price increase • Supply chain – significant sudden increase in costs • Levelling up Nottingham and Nottinghamshire project
Impact	<ul style="list-style-type: none"> • Inability to deliver service • Inability to meet corporate priorities/community plan • Inability to meet legislative requirements • External auditors review • Government taskforce • Negative media/reputation • Loss of ability to make local decisions • Division between members and officers • Greater division between political parties • Staff morale, loss of key staff and reduction in workforce • Staff morale and loss of key staff • Fines/ enforcement • S151 officer issues S114 notice • GF fails due to third party failure, i.e. HRA/subsidiaries • Curtailment of activities of the subsidiaries/HRA/Major projects • Impact on residents and communities • Impact on income streams • Reduction/disposal of assets

Code & Title	SR102 Financial sustainability - HRA		Lead Officer	Kohli, Sanjiv (SLT); Shead, Suzanne (SLT)	
Description	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock.		Supporting Officer(s)	Wilson, Nick (BM - FIN); Shead, Suzanne (SLT)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	12-Oct-2021	3	B	Control Pending

Controls/Actions In Place	<ul style="list-style-type: none"> Quarterly Capital monitoring meetings Investments approved in line with the annually agreed Treasury Management Strategy Annual refresh of HRA financial business plan Council approved Capital programme Financial implications added to Committee reports by Financial Services Financial strategies and budget reviewed through Policy and Finance Committee annually Use of external HRABP tool allows scenario planning Assigned project manager for each major project the Council is embarking on Director/Business Unit Manager quarterly meetings reviewing Directorate financial position Quarterly budget monitoring report tabled at SLT and Policy and Finance Committee Annual Financial Regulations training in place Current development programme ensuring growth in house numbers, over and above the offsetting disposals through Right to Buy Attendance at Housing related horizon scanning events, in order to feed future impacts into HRABP Review on housing management completed and housing service brought back in house. Efficiencies generated through budget review. <p>Recently Completed Actions</p> <ul style="list-style-type: none"> Arrange for Welland Procurement to deliver Generic Procurement training (NW) Full refresh of HRA Financial plan (NW)
Vulnerability	<p>Financial Meeting corporate objectives Service delivery Reputation Governance Regulation Compliance</p>
Trigger/Event	<ul style="list-style-type: none"> Change in national policy & legislative requirements Increase in interest rates Increased rent arrears Suitability of stock meeting future standards Increase or change in standards required Current stock does not meeting housing needs Workforce issues Failing to ensure compliance with relevant legislation causing regulatory bodies to intervene Non-compliance with RSH regulatory standards Meeting tenant priorities Ineffective strategic decision making and business planning Key HRA major projects failure

	<ul style="list-style-type: none"> • Ineffective management of housing maintenance function • Loss of critical income streams • Fraud • Failure to manage critical income streams/ invest • Global Pandemic • Supplier/contractor cost increases due to demand/supply issues changes in the economy • Inability to secure sufficient external funding to regenerate existing stock to meet enhanced standards • Conflicting strategic direction and lack of regular review of 30 year business plan • Zero carbon works identifies significant increase in costs • Stock condition survey identifies significant increases in costs
Impact	<ul style="list-style-type: none"> • Inability to maintain stock to acceptable level including development of future stock • Changes in national policy requiring internal funding above levels sustainable within business plan. • Increased requirement to use internal funding, • Reprioritisation of service delivery • Cash reserves used to right off rent arrears and voids • Substandard housing stock • Loss of morale and high staff turnover • Fines, notices, court cases and legal fees • Moratorium of services • Stakeholder Dissatisfaction with service delivery • Greater scrutiny on service slowing decision making • Poor local housing policy • Project failure • Contract disputes • S151 officer issues S114 notice • Failure to service debt • Legislative requirements not met • Impact on residents and tenants • Increase in void properties

Code & Title	SR103 Safeguarding	Lead Officer	Finch, Matthew (SLT)		
Description	Maintaining corporate safeguarding arrangements to ensure suitable and appropriate management of the councils safeguarding duties.	Supporting Officer(s)	Batty, Alan (BM - PPR)		
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	18-Oct-2021	3	B	Controlled

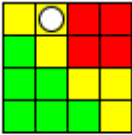
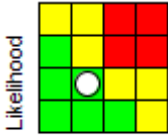
Controls/Actions In Place	<p>LEAD OFFICER: Director of Communities & Environment - M Finch</p> <p>Countywide safeguarding policy adopted – and annual review Disciplinary policy Annual Review and Update of the Council’s Safeguarding Policy Key Staff undertaken E-Learning BMs and safeguarding specific training Member training PREVENT Introduction to safeguarding training rolled out to all staff Staff Induction training Corporate safeguarding group meets quarterly Safeguarding Support Officers in place Shared safeguarding email Annual completion of Section 11 return Annual safeguarding review and report to SLT DBS notification process for key risk areas- at recruitment/prior to appointment and at annual updates thereafter Internal Audit Notts wide network for referring information relating to PREVENT Participating in serious case reviews as required Learning from serious case reviews Annual assurance report to committee with exception reporting if required Undertake domestic homicide reviews as directed by CSP Corporate Safeguarding group also assist in reviewing/developing this risk. Modern day slavery training for front line staff Corporate statement re Modern Day Slavery County Lines multi agency meeting led by Police Local NSDC group for County Lines</p>
Vulnerability	<p>Compliance /Legislation Reputation Financial Resourcing Partnerships Governance Vulnerable persons</p>
Trigger/Event	<p>Competing demands reducing managerial focus Lack of provision of suitable training Turnover of staff resulting in loss of continuity Failure to identify a serious case (including County Lines, PREVENT, Modern day slavery, Domestic abuse) Inappropriate response to a case or notification Resurrection of a historic case Lack of resources to respond to the safeguarding process (identification through to investigation and report) Lack of corporate awareness and culture (members and officers) Lack of communication with lead partner Partnership failure Non adherence to corporate policy</p>
Impact	<p>Harm is suffered by a vulnerable person Serious case review by Nottinghamshire safeguarding board</p>

	<p>Litigation (criminal and civil) Disruption caused by targeting by groups/individuals - Pressure groups/family/individual(s) and other partner agencies Possible effect on future insurance costs depending on liability and claims history Personal Liability Staff Morale Radicalisation Reputational damage with community e.g. negative media Resourcing any additional works Child exploitation, domestic abuse, radicalisation, modern day slavery Organisational abuse (e.g. older people in Extra care homes)</p>
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Code & Title	SR104 Failure to deliver growth infrastructure	Lead Officer	Lamb, Matt (SLT)		
Description	Facilitating the provision of local infrastructure to ensure growth within the district to meet agreed plans & corporate priorities	Supporting Officer(s)	Business Manager (BM - HSR); Hughes, Lisa (BM - PDV); Norton, Matthew (BM - PPO)		
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	17-Sep-2021	4	C	Control Pending

Controls/Actions In Place	<ul style="list-style-type: none"> Community Plan Infrastructure delivery plan CIL charging schedule and infrastructure list Development plan (Amended Core Strategy and Allocations and Development Management DPD) Local Development Framework Task Group Economic Development Committee and Full Council Planning Committee High performing planning service Active Lobbying Engagement with Developers, Stakeholders & Partners Economic Growth Strategy – NewarkTown Investment plan & Visitor economy strategy Continued liaison with Highways England to monitor progression of SLR and A1 overbridge. Southern link road – Continued liaison with Homes England re funding package Submitted Newark “levelling up” fund bid <p>Consideration from Risk Management Review 25/11/20 Identify specifically which infrastructure is a risk under the vulnerabilities. Bring back to SLT.</p> <p>Recently Completed Actions A1 overbridge – Seek update from Highways Authorities on willingness to progress design and build. - ML Southern link road – Seek update from Homes England re funding package. – ML Continue Liaison with Highways England to monitor progress Publish annual infrastructure statement (CIL spend) – ML A46 duelling project – Seek update re delivery from Highways England - ML Appoint to Infrastructure Practitioner post – ML Prepare an SLT report setting out a framework for the production of an Infrastructure Funding Statement including processes for involving Members and infrastructure provider Develop and adopt Newark town place strategy: Develop and publish plan -ML Publish annual infrastructure statement (CIL spend) - ML Set up framework to produce infrastructure involving members</p>
Vulnerability	<p>Inability to deliver infrastructure projects to support growth. Specific projects include:</p> <p>Direct NSDC influence A1Overbridge (and inter-relationship with A46 Newark northern bypass)</p> <p>Indirect influence Southern link road - completion (grant funding) (and inter relationship with A46 Newark northern bypass) A614 roundabout – indirectly funding via section 106 A46 improvement works – Influencing role</p> <p>Political Reputation Financial Partners and stakeholders</p>
Trigger/Event	<ul style="list-style-type: none"> Government change in policy

	<p>Partner funding withdrawn Funding reduced Funding bid failure Withdrawal of Partners Change in partnership priorities Housing development stalls Change in leadership Poor strategic decision making Failure of other related major infrastructure projects Town fund delivery A46 Newark northern bypass – Delivery and timing A1 Overbridge – Technical constraints and increasing costs</p>
Impact	<p>Infrastructure not delivered Inappropriate infrastructure delivered Growth within district affected Inadequate service provision Government sanctions for inability to deliver housing growth Housing development stalls Social Inequality Large Employer relocating outside district Inward investment stalls Newark devolution agreement Impact on council's MTFP</p> <ul style="list-style-type: none"> • Infrastructure not delivered • Inappropriate infrastructure delivered • Growth within district affected • Inadequate service provision • Government sanctions for inability to deliver housing growth • Housing development stalls • Social Inequality • Large Employer relocating outside district • Inward investment stalls • Newark devolution agreement

Code & Title	SR105 Contract/supply failure		Lead Officer	Johnson, Deb (SLT); Shead, Suzanne (SLT)	
Description	Managing contracts with key suppliers, including NSDC wholly own companies, to ensure the continued delivery of an effective service and ensure delivery of the council's priorities and objectives.		Supporting Officer(s)	Wilson, Nick (BM - FIN); Business Manager (BM - HSR); Richardson, Dave (BM - ICT); Batty, Alan (BM - PPR); Brady, Ella (BM_TRC); Cook, Natalie (BM_TRC) Sue Bearman	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	25/10/21	2	D	Control Pending

Controls/Actions In Place	<p>CONTRACT INCEPTION & MANAGEMENT</p> <ul style="list-style-type: none"> Contract register developed using Pro-Contract and actively managed by OD team (not fully populated or embedded yet see action) Contact renewal early warning provided by OD at quarterly meetings Procurement advice provided through Welland procurement Call off contract arrangements/template devised SLA template devised for consistency SLAs all reviewed SLA register devised and actively managed by OD Comprehensive audit undertaken of contracts <p>Procurement rules</p> <ul style="list-style-type: none"> Use of joint procurement service –Welland procurement Focus on local providers for some services Use of contract exemption forms where necessary <p>WHOLLY OWNED COMPANIES</p> <ul style="list-style-type: none"> Management agreements regularly reviewed Contract managers named for each Regular contract management meetings in place Active partnership approach embedded <p>TRAINING</p> <ul style="list-style-type: none"> Session delivered to BMs on contract management Session delivered to members on contract management Business continuity process/training <p>RECENTLY COMPLETED ACTIONS FOR REVIEW</p> <ul style="list-style-type: none"> Legal advice on developing contract templates Launch contract management training to all staff (DJ) Active4Today management and governance arrangement reviewed - Review current management and governance arrangement and make suitable changes subject to approval (KW) Contract management toolkit - Contract Management Toolkit complete and launched (DJ) Contract Novation from NSH to NSDC to take effect 1/2/2020(DJ) External legal advice to be used throughout contract novation process from Housing Management to NSDC (DJ) Legal are drawing up new contracts between the Council and suppliers of the Housing Management function to continue service provision from 1/2/2020 - Update Contracts 70% complete 07/02/2020 (DJ) Call off contracts deployed where appropriate - Identified business units to utilise call off contracts (SS/CCJ) Standard call off contract Standard call off contract
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Vulnerability	Service delivery Financial Compliance (Regulatory, Health & Safety, Legislative) Governance Resources Reputational Procurement/lack of competition Project delivery
Trigger/Event	<p>CONTRACT INCEPTION</p> <ul style="list-style-type: none"> . Lack of understanding of requirements and different provision mechanisms available . Lack of commercial approach and knowledge . Inadequate/ambiguous specification . Inadequate/ambiguous control/performance measures . Inadequate/ambiguous exit arrangements . Failure to engage relevant specialists in contract design . Contract is not signed and saved in corporate register . Limited market supply . Over reliance on single supplier(s) . Lack of competence in procurement . Lack of resource dedicated to procurement . Lack of preplanning for contracts . Lack of appropriate exit strategies <p>Limited availability due to emerging industries /concepts/technology/demand</p> <p>CONTRACT MANAGEMENT</p> <ul style="list-style-type: none"> . No assigned contract manager . Contract manager is not appropriately trained/skilled . Contract manager resource is insufficient . Ineffective performance monitoring and reviews . Evergreen contracts in place . Change control/variations are not appropriately managed . Lack of ongoing challenge throughout the contract . Loss of key personnel/ key resilience . Relationship breakdown . Contractor fails to deliver/ isn't able to deliver (bankruptcy) <p>WHOLLY OWNED COMPANIES</p> <ul style="list-style-type: none"> . Management agreement not robust . Governance and oversight not appropriate . Inadequate/ambiguous governance arrangement . Contract management resource is insufficient/ unsuitable . Inadequate/ambiguous control/performance measures . Relationship breakdown and – objectives do not align . Lack of ongoing challenge throughout the contract . Board directors do not perform within required parameters . Lack of appropriate review of purpose of contract <p>OTHER</p> <ul style="list-style-type: none"> . Financial management not embedded as part of contract management process . Impact of Brexit (link to STRAT SR012 Brexit) . Business continuity/Emergency incident . Contracts not entered on contract register . Provision commences before contract is in place . Lack of appropriate overview of contract management . Pandemic . Link to SR106 - Workforce
Impact	FINANCIAL IMPACT <ul style="list-style-type: none"> . Additional costs to council (hidden costs, increased costs) . Best value not achieved . Fines

- . Failure to utilise grant(repay grant because of failure to contract or contract failure)

SERVICE DELIVERY IMPACT

- . Provision is not timely/delayed
- . Poor/declining quality of service/provision
- . Increased unplanned demand
- . Inability to scale up/scale down provision to meet demand
- . Service failure
- . Not aligned to corporate objectives
- . Unable to procure

LEGISLATIVE IMPACT

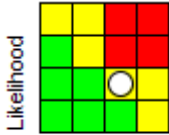
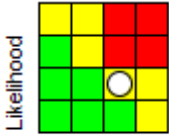
- . Data loss/GDPR compromised
- . Council's legislative obligations not met
- . Providers are not able to be challenged as contract not in place when service is commenced

REPUTATIONAL IMPACT

- . Customer/service user complaints increase
- . Member complaints increase
- . Negative media coverage

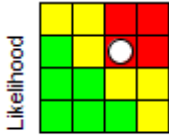
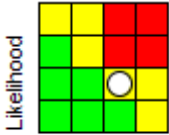
RESOURCE

- . Contract manager resource requirement is increased (leading to impact on other duties)
- . Other officer resource required to manage impacts (leading to impact on other duties)
- . Re-procurement additional resourcing
- . Project delay

Code & Title	SR106 Workforce	Lead Officer	Johnson, Deb (SLT)		
Description	Ensuring the council is able to recruit, maintain and retain appropriate staffing resource to ensure it is able to deliver its services and meet its corporate objectives.	Supporting Officer(s)	Glass, Caroline (BM - HR & Training)		
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Impact	 Impact	26-Oct-2021	3	B	Controlled

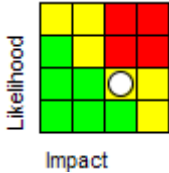
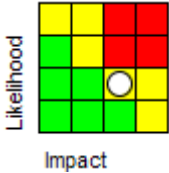
Controls/Actions In Place	<p>Business Planning embedded throughout the Council with clear links to Community Planning and Performance framework</p> <p>Managing absence standards and guidance</p> <p>Senior HR Officers provide support to Business Managers to manage staffing issues, e.g. sickness absence, capability etc.</p> <p>Effective communication arrangements are in place.</p> <p>Rolling programme of review for HR policies to ensure they remain robust and fit for purpose.</p> <p>Selima system provides Business Managers with ownership / control over staff sickness/Holiday approval etc. and provides corporate overview HR working closely with Business Managers to support organisational change.</p> <p>Partnership approach with recognised trade unions to support organisational change and current pandemic crisis (and any other similar extraordinary event).</p> <p>Counselling/therapy and welfare support services in place for staff.</p> <p>Visible inclusive leadership.</p> <p>Annual employee establishment planning process.</p> <p>Training and development programme to support ongoing development of skills and competencies and BM and other staff (i.e. change management, sickness and performance management and recruitment and softer skills)</p> <p>Targeted training interventions to support individual employee development and the facilitation of succession management.</p> <p>Family friendly policies and enhanced workplace entitlements to attract and retain quality candidates including hybrid working, flexible working, employee counselling and therapy services, health and wellbeing initiatives).</p> <p>Approved corporate priorities within the Community Plan 2019-23</p> <p>Comprehensive programme of activities to embed our culture and improve our sense of wellbeing and belonging</p> <p>Annual staff reward and recognition awards and a basket of seasonal activities</p> <p>Apprenticeships and graduate placements to support service succession management.</p>
Vulnerability	<p>Service delivery and resources</p> <p>Financial</p> <p>Compliance</p> <p>Governance</p> <p>Reputational</p> <p>Competence and Capability</p> <p>Leadership</p> <p>Mobility and agility of workforce</p> <p>Safety of workforce</p> <p>Increased instances of mental health problems in workforce</p>
Trigger/Event	<p>Key staff leaving e.g. with specific qualifications and/or experience and membership of professional body</p> <p>Number of staff leaving from one area/high turnover</p> <p>Inability to recruitment to key posts</p> <p>Lack of development opportunity</p> <p>Lack of team cohesion</p> <p>Lack of alignment with corporate values/behaviours/culture</p> <p>Pressure of work</p> <p>Demand in a specific skill set</p>

	<p>Uncompetitive in the job market place Poor industrial relations and ineffective people management processes Working environment Key member of staff goes on long term sick Uncertainty and/or significant change Aging workforce/retirement planning Pandemic or other significant emergency Poor management/leadership National shortages of specific skills (e.g. drivers, accountants, other professional) Inability to provide equipment/tools to allow staff to effectively perform their duties (e.g. shortage of laptops due to global microchip shortages)</p>
Impact	<p>Service delivery impact –inability to deliver services or delivering reduced services Reputational impact through poor service delivery Reputation as an employer resulting in inability to recruit staff Loss of capacity/under resourced Loss of expertise and corporate memory High recruitment costs Additional time required to support recruitment activity and the induction of new staff and their development Additional training costs Impact on morale, culture and team performance Increased levels of staff absence Loss of opportunity through loss of networks Increase in accidents Impact of potential civil claim (e.g. employment tribunal. insurance) or criminal actions Financial penalties/ombudsman decisions/other regulatory bodies Increased demand on corporate services (e.g. HR,ICT)</p>

Code & Title	SR108 Emergency response		Lead Officer	Finch, Matthew (SLT)	
Description	The Council's ability to effectively respond as a category 1 responder to a major emergency and maintain a suitable response without affecting essential service delivery.		Supporting Officer(s)	Richardson, Dave (BM - ICT); Batty, Alan (BM - PPR)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood 3 Impact 4	 Likelihood 2 Impact 3	05-Nov-2021	3	C	Control Pending

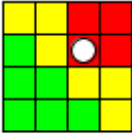
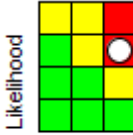
Controls/Actions In Place	<p><u>Emergency Plan/ Business Continuity</u></p> <ul style="list-style-type: none"> • Emergency plans in place and securely stored on Resilience Direct • Incident specific emergency plans in place. • Periodic review of key services by EPO e.g. Emergency Planning and Business Continuity. • Management shows support for BCM through regular discussions in key meetings. Business Continuity is a regular agenda item - SLT Annual • Management shows support to appropriately prepare, maintain and exercise a Business Continuity Plan by assigning adequate resources, people and budgeted funds. • Periodic review of documents e.g. Emergency Plan, Business Continuity Plan. • Business Continuity Audit Review. • There is a Business Continuity Management (BCM) Policy and it is updated periodically. - • Managers and staff have been made aware of BCP and BCM and their responsibilities. • BCM – annual plan for BM and managers to attend training events on an annual basis • Managers have been consulted in developing the plan and key individuals who input is more important than others have been identified. • The Business Continuity Plan identifies all critical areas of the authority <p>Regular BCP testing</p> <p><u>Financial</u></p> <ul style="list-style-type: none"> • Corporate budget available to support existing flood alleviation schemes. • Council maintaining budget figure and reserve up to Belwin amount and beyond to cover emergency incidents. • Facilitation of government property level grant scheme in flood affected areas to enhance future resilience. • Proactive partners of district wide flood alleviation schemes <p><u>Equipment/ Resources</u></p> <ul style="list-style-type: none"> • Flood stores in some communities with provisions to self help and therefore not be as reliant on council. • Agile working arrangements. • Cyber security arrangements (See SR110) • Use and Audit of Resilience Direct as a Document Management System/repository • Load key documents onto Resilience Direct • Annual stock take of equipment in our Emergency Stores. • Scenario testing at least one exercise every two years • exercise carried out gap analysis of the testing. • Training & LRF Training • Memorandum of Understanding for mutual aid. • Local Resilience Forum and annual assessment and review of plans. • BCP BCM training • Offering of Health & Wellbeing advice e.g. offering flu vaccinations, mental health etc. <p><u>Partners/Public</u></p> <ul style="list-style-type: none"> • Work with EA (Environment Agency) on flood resilience work has mitigated/reduced the risk in some areas. • Improved monitoring systems by EA for earlier warning for floods. • Raised awareness of flood risk, therefore increased understanding self help and increasing resilience. • Attendance of LRF multi agency meetings for partners • East Midlands Group WARP group <p>Emergency response data management tool move to correct location</p>
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Vulnerability	Resourcing Reputation Expectations Partners Financial Suitability of response Service delivery
Trigger/Event	Extreme weather event of greater frequency and severity. Unpredictable district/regional/national emergency events. Council headquarters or key facilities are damaged. Pandemic Flu Cyber Attack Counter terrorist Attack Partners not playing part/full role Failure of resources / suppliers / supply chain Availability and resilience of key personnel Ineffective BCPs Concurrent events Loss of power/water to HQ
Impact	Drain on services and resources to provide an immediate and appropriate response/recovery. Managing and resourcing the longer term recovery process Business Continuity issues at Castle House and other council facilities - centres could be flooded, staff unable to get into work - loss of resources i.e. vehicles, premises. Reputational damage due to perceived failure to respond to emergency or maintain services Reputational damage to the District and attraction to place to live/work Failure to maintain critical services day to day Ceasing non-essential services Manage financial requirements of the emergency event Financial issues of being unable to claim back funding spent on assisting communities Financial implication of up front costs required during an emergency. Less likely to receive long term support to obtain government flood grants compared with high density areas due to cost benefit ratio. Effect on communities (commercial or domestic) Loss of key/ critical NSDC systems Inability to support critical projects and projects at a critical stage

Code & Title	SR109 Corporate governance	Lead Officer	Bearman, Sue (SLT)		
Description	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements.	Supporting Officer(s)	Hill, Nigel (BM - EDS); Wilson, Nick (BM - FIN); Bearman, Sue (BM - LEG) ; Brady, Ella (BM_TRC); Johnson, Deb (SLT)		
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
		11-Oct-2021	3	B	Controlled

Controls/Actions In Place	<p>S Bearman to review controls and update accordingly</p> <p>Code of corporate governance created, maintained and monitored in accordance with CIPFA guidance.</p> <ul style="list-style-type: none"> . Corporate Governance self-assessment against the code of Corporate Governance undertaken periodically. . Periodic review of governance by 3 statutory officers. <p>Annual review of Constitution which includes fit for purpose and up to date:</p> <ul style="list-style-type: none"> . Officer code of conduct. . Officer registers of interests - Related third party transactions. . Section 151 officer/Monitoring officer/Head of Paid Service. . Gifts and hospitality - policy and register place. . Council Financial regulations and procedures, . Contract procedure rules . Whistle blowing policy . Anti-fraud and corruptions strategy <p>Annual governance statement reviewed annually and reported to Audit and Accounts Committee. Annual Governance Statement goes to Feb meeting of Committee</p> <p>Creation of annual combined assurance report in conjunction with SLT and BMs.</p> <p>Internal Audit work including risk based Audit Plan.</p> <p>Effective use of External Auditor.</p> <p>Scrutiny by Audit and Accounts Committee</p> <p>Staff and member training in place</p> <ul style="list-style-type: none"> . Training on governance issues including anti-fraud and financial regulations. . Counter fraud training delivered. . Member induction at the start of each new Council cycle. <p>Complaints:</p> <ul style="list-style-type: none"> . Localised standards framework and effective arrangements for dealing with complaints overseen by Policy and Finance Committee. . Internal complaints procedure. <p>Fraud</p> <ul style="list-style-type: none"> . Annual internal review of the Fraud Risk register to carry out proactive work, check on internal controls and is reported to members . Participation with National Fraud Initiative process . Options appraisal for counter fraud and implementation of preferred option. <p>Appropriate insurance cover including Fidelity Guarantee.</p> <p>Oversight of Active4Today, Newark and Sherwood Homes, Arkwood and East Midlands Building Control.</p> <ul style="list-style-type: none"> . Appropriate monitoring of performance of the third party or alternative service delivery methods. <p>HR policies in place</p> <p>Recruitment process controls, e.g. References, Immigration, DBS.</p> <p>Horizon scanning at Business Manager briefings and effective communication between SLT and business managers.</p> <p>Measures in place to ensure IR35 compliance</p> <p>Schedules review of Corporate Governance (Q4 19/20)</p> <p>Governance review ongoing with support from LGA</p> <p>Recently Reviewed Actions</p> <ul style="list-style-type: none"> • Initial meeting to discuss review of Audit and Accounts Committee remit (NW) • Annual Audit Plan produced, agreed and adopted
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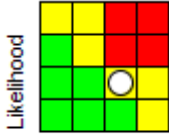
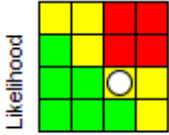
Vulnerability	<p>Service delivery Governance Fraud Poor decision making/leadership Reputation Financial Legal compliance Partners/stakeholders</p>
Trigger/Event	<p>Failure to communicate, define, review and uphold governance standards policies to ensure fitness for purpose. Failure of staff and councillors to understand their governance roles and responsibilities. Failure to observe good governance. Failure to adequately manage risk or monitor performance. Failure in Policy adherence (All policies). Malicious event e.g. Fraud, money laundering, etc. Reduction in capacity and loss of key personnel and resources Failure to adequately oversee governance standards of partnerships and other entities that the Council is involved in. Failure of governance in wholly council owned companies Failure of governance in partnership organisations Negative findings identified by other organisations/bodies – Ombudsman and External Audit</p>
Impact	<p>Loss of opportunity and ability to meet corporate priorities Financial resource loss. Poor or inadequate decision making. Service delivery issues. Criminal or civil liability. Regulator finding fault e.g. Internal Audit, External Audit, Ombudsman. Government or peer intervention. Failure of Council owned companies Failure of partnerships Ombudsman findings – Maladministration Significant Audit findings – e.g. Public interest report Reputational risk to the Council. Negative media coverage. Policies could be open to challenge. Excessive legal costs incurred. Poor staff morale. High staff turnover. Community disengagement. Capacity redirected to address failures. Inappropriate use of public office Fraud and corrupt practice identified. Fraud and corruption practices not identified or dealt with leading to an incident of fraud and corruption.</p>

Code & Title	SR110 Data management and security		Lead Officer	Kohli, Sanjiv (SLT)	
Description	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation		Supporting Officer(s)	Baker, Jill (BM - CSC); Wilson, Nick (BM - FIN); Price, David (BM - HLM); Richardson, Dave (BM - ICT); Bearman, Sue (SLT)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Impact	 Impact	8/9/21	3	C	Control Pending

Controls/Actions In Place	<p><u>LEAD OFFICER - Sanjiv Kohli</u> <u>Training/ Guidance/ Compliance/ Agreements</u></p> <ul style="list-style-type: none"> . Data protection training including a section on information security and targeted training ongoing for staff located elsewhere and forms part of the induction process. . Guidance and training available for elected members. 3 GDPR sessions provided for newly elected members. . Guidance on security breach procedures for Business Managers as Information Asset Owners. . Ongoing training for all staff taking payments in line with PCI-DSS requirements. . Relevant training for ICT staff. . Weekly review of ICO guidance. . Compliance with the governments security arrangements. . PSN compliant data & internet connections implemented. . Compliance with new Cabinet Office email standards achieved. . Information governance check on furniture that is being disposed of. . Information E Training completed by all staff. . Cyber Security now standing agenda item on monthly business unit management meetings. . Annual review of Information Asset Register. . Annual mandatory GDPR and cyber/phishing online training for all staff and councillors. . Governance arrangements established through CIGG with monthly review. <p><u>ICT/Equipment</u></p> <ul style="list-style-type: none"> . External Audit on ICT security annually. . Encryption for mobile devices. . VASCO tokens and Google Authenticator. . Quarterly ICT security checks internally. . Penetration test annually for external company - monthly scans of servers for weaknesses, monthly server updates and monthly scans of Microsoft Office and Windows. . Perimeter software - eg. mailmarshall & webmarshall. . Hardening test on new virtual servers. . Documents scanned reducing the need for paper. . Secure server room. . East Midlands WARP membership - alerting networking facility regarding any breaches. . Monthly updates of Adobe products. . Program in place to ensure the continual maintenance & upgrade of the ICT environment. . Secure portal for Members to access the Extranet. . Airwatch MDM (Mobile Device Management) implementation for mobile devices. . DMark, DKim SPF and TLS secure email authentication software. . Cryptshare for encrypting secure emails and large files for email. . Report & record all cyber-attacks/attempts and escalate to CMT where appropriate Users own devices cannot connect to network . 'Consent' tick box on appropriate forms. <p><u>Policies/Audit</u></p> <ul style="list-style-type: none"> . Information management framework incorporating Security Policy and Security Breach Policy. . Annual SIRO audit. . Retention of document policy. . Data Protection policy. . Confidential waste handling procedure. . Review of policies and procedures to ensure compliance with latest Payment Card Industry- Data Security Standard (PCI-DSS)
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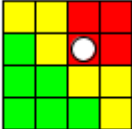

	<ul style="list-style-type: none"> . Data security part of consideration as part of future strategic projects. . All aspects of GDPR action plan completed including compulsory e-learning for all staff. . SIRO audit completed confirming processes in place for identifying risks associated with any new project/process. . CIGG meeting every two months to review any new risks. . Periodic PCI/DSS compliance checks . Data Privacy Impact Assessment. <p><u>Partners/ Stakeholders/ Staff</u></p> <ul style="list-style-type: none"> . Non-disclosure agreements in place for third party access. . Use of data processing and agreements with partners. . CIO/SIRO/DPO appointed. . CIGG in place. . Use of licensed confidential waste handler. . Letters sent to all third parties who process personal data on behalf of NSDC advising of additional responsibilities under GDPR and data processing agreements in place. . Actions arising from report to SLT on third party users implemented. . Reviewed by CIGG.
Vulnerability	<p>Loss of vulnerable, personal, sensitive valuable data Legal compliance Reputation Financial Partners/stakeholders Disruption of service from a cyber attack</p>
Trigger/Event	<ul style="list-style-type: none"> • Personal, confidential or corporately sensitive/business critical information disclosed unintentionally or through error of judgement when responding to requests for information, data breach - intentional (malicious) or unintentional. • Theft or loss of equipment/papers/data belonging to the council, partners or third party companies. • Cyber attack: (either targeted such as denial of service or unintentional access to link on another website). • Agile Working i.e. mobile/remote/home working/home printing/disposal of printed data/Outreach posts. • Reducing resources with less capacity for processing data. • Loss of key resources/staff. • Decommissioning of property • Collaborative working, sharing, outsourcing and partnership working (including external printing and hybrid mail)/involvement in other peoples' data • Partnership working and sharing new service locations/data sharing issues. • Partner's/contractor's/host's poor data management and information security leading to data breach/loss. • Government integration agenda e.g. Increased working between public bodies • Use of BYOD (Bring your own device). • Use of suppliers/third parties, etc. • Local government reorganisation/Combined authority/change in service delivery model. • Third party access to IT systems. • New and inexperienced staff/elected members with access to data. • Termination of PSN/GCSX standards by the Cabinet Office limiting options for securely sharing with some Public Sector organisations. • Failure to comply with relevant standards and legislation including PCI-DSS/Cyber Essentials/NCSC best practice/PSN. • Unsupported software/unforeseen loss of support • Housing management re-alignment and integration of services • Adoption of unsupported/dated systems from third parties • Emergency event/Pandemic – leading to increased reliance upon ICT systems • Accelerated delivery of digital agenda
Impact	<ul style="list-style-type: none"> • Individual loss/damage to an individual where the Council inappropriately released their personal data e.g. Civil claims.

- Damage to reputation of the Council/trust by the public.
- Breach of Access to Information legislation bringing about financial/legal damage - imposed on the Council by the Information Commissioner and other Statutory Bodies.
- Financial/ resource impact of Information Commissioner investigation.
- Disciplinary action taken against a member of staff and elected members if a breach is found to be deliberate/malicious.
- Operational and resource issues eg. Service interruption - where focus has to be taken away from service delivery to dealing with the breach.
- Individual loss/damage to an individual where the Council inappropriately released their personal data eg. civil claims.
- Drain on resources to process and enable conformity in legislation.
- Greater demand on existing resource
- Impact on Agile working - lack of ability to work remotely and available physical resource
- Cyber-attack leading to system downtime/damage/loss of data (Ransom Ware) and financial loss/ resource drain
- Loss of provision to customers and partners e.g. Active4Today, DWP, CCTV (under current arrangements) leading to disputes over SLAs and contracts and potential loss of income, e.g. partner rent for Castle House.
- Negative media coverage
- Less control over data as service delivery models become more complex
- Loss of partner data where the council is the data processor - subsequent impact on partner's reputation.
- Loss of confidence with the Council
- Loss of confidence with partners and stakeholders
- Withdrawal of service from partners and stakeholder
- Increased demand on existing services
- Inability to deliver critical/key services
- Capability of infrastructure/system to deliver services – i.e. increased demand during emergencies

Code & Title	SR111 Arkwood Development		Lead Officer	Robinson, John (SLT)	
Description	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement.		Supporting Officer(s)	Marshall, Will (A2) Transformation; Wilson, Nick (BM - FIN); Brady, Ella (BM_TRC)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	10-Nov-2021	3	B	Control Pending

Controls/Actions In Place	<p>LEAD OFFICER - J Robinson</p> <p>Shareholder Committee established and membership agreed Shareholder meetings scheduled Shareholder Committee Members training session completed on 17/1/18 Company's Articles and shareholder agreement in place Shareholder Committee approve business plan for company and business case for each development site Monthly officer contract meetings between Arkwood and council Internal Audit Report giving substantial assurance Inclusion of risk register by company with business cases</p> <p>RECENTLY COMPLETED ACTIONS FOR REVIEW</p> <p>SLAs for HR, Finance, ICT, Information Governance and Administration to be agreed between company and council by end of financial year 19/20.</p>
Vulnerability	<p>Financial Reputation Service Delivery Conflict of interest</p>
Trigger/Event	<p><u>Financial</u> Loan repayments from the company are not made Company failure to deliver approved Business Plan Company failure to pay monies to the Council e.g. land transactions costs, SLA costs Company failure to pay monies in a timely way Company failure to manage cash flow</p> <p><u>Reputational</u> Poor leadership Company insolvency Poor quality development leading to customer dissatisfaction Secretary of State call in planning decisions made by council on company developments</p> <p><u>Compliance Issues</u> Operational failure leading to non compliance/legislative failure Compliance failure by the Company (ie. legislative & policy)</p> <p><u>Lack of Delivery</u> Failure to adhere to business plan Lack of awareness of company purpose Company failure to secure planning consent on developments</p> <p><u>Market & External Factors</u> Brexit - market volatility Downturn in economy Failure to understand and develop to meet market needs Changes in local and national policy & legislation e.g. restraints in legislation from Council Lack of skills to deliver developments to quality and on time (e.g. skills shortage) Market and external construction prices leading to increased cost of build</p> <p><u>Resource Demand</u> Insufficient resourcing (e.g. internal capacity to deliver) Over resourcing Incorrect or over demanding SLA's</p>

	<p>Failure to deliver Council objectives due to increased amount of time spent by board of directors on company rather than substantive role</p> <p><u>Relationship with Company</u> Lack of communication between Company and Council Lack of regular updates/ assurance from company Conflict of interest - failure of the council to demonstrate the company's independence</p>
Impact	<p><u>Financial</u> Return on investment to the council not realised Lack of sustainability and viability of company Council not achieving aims & objectives as set out in Council's Commercial strategy</p> <p><u>Resource Demand</u> Substantive council roles of directors compromised Council resource overstretched – poor quality service to council or company</p> <p><u>Reputational</u> Adverse impact on reputation Inability to contribute to local plan housing numbers Impact on reputation with key partners and stakeholders</p> <p><u>Market & External Factors</u> Lack of housing that meets market demand</p> <p><u>Partners/Relationships</u> Relationship breakdown between council and company</p>

Code & Title	SR113 Community issues - Pandemic		Lead Officer	Finch, Matthew (SLT); Shead, Suzanne (SLT)	
Description	Immediate and longer term economic and societal impact of global pandemic on NSDC communities and its business economy – specifically concerned with: deprivation, direct effect on specific communities/vulnerable persons and the local economy.		Supporting Officer(s)	Cuttell, Neil (BM - ECO); Wilson, Nick (BM - FIN); Batty, Alan (BM - PPR); Hardy, Andy (HHC); Lamb, Matt (SLT); Shead, Suzanne (SLT)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	18-Oct-2021	3	C	

Controls/Actions In Place	<ul style="list-style-type: none"> • Lifting lock down action plan • Financial support for local businesses • Newark Towns Fund • Economic Growth & Recovery Strategy 2020 (inc. Action Plan) • Sherwood Levelling Up Fund • Community Support Grants • Attendance of LRF county recover group • SLT – COVID regular weekly updates • Targeted communications
Vulnerability	<ul style="list-style-type: none"> • Financial • Local economy • Vulnerable persons / Communities • Reputation • Pressure on services
Trigger/Event	<ul style="list-style-type: none"> • Continuation of pandemic – further waves, variants of concern • End of Furlough • Continued or new restrictions and impact on key sectors • Changes in behaviour as a result of the pandemic into the medium term i.e. key sectors/high street/retail/hospitality/entertainment/ online/leisure/exercise preferences choices • Financial security/investment decisions • Recession and job losses
Impact	<p>Financial impact – Government re-organisation Changing to tax system and Local Government funding Business failures leading to reduced business rates Impact on fees and charge - reduced income New business and sectoral opportunities</p> <p>Local Economy – Behavioural change: i.e. Retail economy – shrinkage (shift to online/reduced capacity due to restrictions/social distancing/over-provision and repurposing) including Leisure/entertainment/culture/heritage/events activities</p> <p>Hospitality/night time economy – Change in habits Recession Town centre footfall Downturn in footfall in town centre</p>

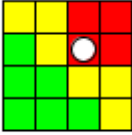

Office accommodation demand and vacancy– homeworking
Empty properties
Decline/change in town centre offer
Rethinking use of Public realm and open spaces

Vulnerable persons/communities-

Greater deprivation in already vulnerable areas/sectors
Welfare reform??
Greater deprived areas/workforces are less able to be flexible re working arrangements
Disadvantaged due employers sick pay arrangements and need to earn
Younger persons – opportunities restricted/resilience/health/work types available
Social mobility
Possible reduced funding for supporting these communities
Disproportionate sectoral impacts and those employed within affected sectors
Mental health and wellbeing
Impact on voluntary sector

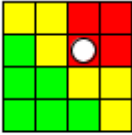

Reputation –

Lack of trust
Questioning of organisations ability to deliver
Value for money?
Austerity messaging?
Lack of understanding and messaging – degree to which we can change market forces

Code & Title	SR114 Environment		Lead Officer	Finch, Matthew (SLT)	
Description	Ability to meet requirements of the government's green agenda and aspirations/expectations of the NSDC community in delivering a greener/carbon neutral service.		Supporting Officer(s)	Ashton, Briony (A2); Brady, Ella (BM_TRC)	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Likelihood Impact	 Likelihood Impact	14-Oct-2021	3	C	Control Pending

Controls/Actions In Place	<ul style="list-style-type: none"> • Climate emergency declared • Approved date for net neutral - 2035 • Costed action plan to support net neutral date • Appointed Environmental Policy and Projects Officer • Climate emergency project working group – meets quarterly • Project working group for depot development • Annual report to P&F – Activities undertaken and carbon footprint • Internal Audit • Urban tree challenge grant – 4000 trees planted • Developed business cases for kerb side food and glass collection • Financial planning - MTFP • Elected member working party utilised to develop climate emergency strategy plan • Community plan
Vulnerability	<ul style="list-style-type: none"> • Financial • Reputation • Statutory compliance • Disruption of service-Pressure groups /community action • Negative media/comms
Trigger/Event	<ul style="list-style-type: none"> • Climate change conference • Government policies and legislation- i.e. national waste and resources strategy, environment bill, 2030 internal combustion engine phase out, national tree strategy. • Budget pressure/planning/demand - MTFP • Lack of financial support from government to implement • Availability/cost/maturity of technology • Incentivising of tariffs – cost v return • Legacy issues -housing/fuels/infrastructure • Resident/User engagement/participation - Behaviour change • Active pressure groups • Political influence • Declaration of climate emergency • Impact of media/social media events/influential individuals • Poor communications • Partnership failure • Bidding arrangements/competition – restrictive nature of government funding to date

Impact	<ul style="list-style-type: none"> • • Not meeting governmental targets • Penalties -TBC • Reputation • Negative media • Political/public pressure for improvement/campaigns against • Increased scrutiny and workload • Budget gaps • Impact on other service provision • Lack of infrastructure to improve • Lack/loss of control in light of government mandated service provision • Increased costs arising from emerging technology, reduced tariffs and government policy • Unable to deliver due to access/obtain government funding/ technology • Unable to deliver on climate strategy • Customer disengagement

Code & Title	SR115 Regulatory and statutory compliance management		Lead Officer	Kohli, Sanjiv (SLT); Shead, Suzanne (SLT)	
Description	Implementation and maintenance of suitable statutory safety compliance management systems.		Supporting Officer(s)	Eyre, Mark (BM - AMP); Wagstaff, Caroline (BM - HMA); Mark, (A2) Plant	
Current Risk Status	Target Risk Status	Review Date	Impact Score	Likelihood	Risk Management
 Impact	 Impact	26-Oct-2021	3	C	

Controls/Actions In Place	<ul style="list-style-type: none"> • Policies and procedures – (Need for policy review) • Dedicated Compliance teams and compliance reporting • Dedicated software –asset compliance/management software ICT systems • Contract management systems • Performance management systems • Training and competence Staff/tenants/contractor • Information/education to tenants • Enforcement of tenancy agreements • Assurance and scrutiny process – operational and committee levels • Use of specialist contractors/advisors • Competent/licenced/registered engineers/inspectors • Auditing and inspection processes • Reconciliation processes • Complaints processes • Tenant engagement • Maintenance/inspection programmes • Pre let inspections • Business planning • Compliance with regulatory standards • Legal/enforcement action/Fines/Regulatory judgement • H&S • Civil claims • Service delivery - Loss of essential service & System/equipment failure/out of use • Negative media coverage • Reputation • Customer satisfaction/impact • Financial impact (rectification) • Increased resource demand
Vulnerability	<ul style="list-style-type: none"> • Legal/enforcement action/Fines/Regulatory judgement • H&S • Civil claims • Service delivery - Loss of essential service & System/equipment failure/out of use • Negative media coverage • Reputation • Customer satisfaction/impact • Financial impact (rectification) • Increased resource demand
Trigger/Event	<ul style="list-style-type: none"> • Poor management systems

	<ul style="list-style-type: none"> • Failure to undertake statutory examinations • Poor record keeping /management • Remedial works not undertaken in a timely manner • Contract management – controls to manage/address poor performance/contract exit arrangements, use of evergreen contracts (non-ending), poor procurement • Poor contractor engagement • Cyber-attack/Ransom ware –denied/denying access to records • Data protection loss/GDPR • Routine inspection/audit identifies failure • Incorrect response to an accusation, complaint or request for service • Unauthorised repairs, Sabotage, maintenance, alterations and installations • Pandemic • Emergency incident – fire, gas, flood, etc. • Essential supplier chain failure/goes into administration. • Incorrect sub-contracting procedures • Change in legal/regulatory requirements • Failure of ICT and associated support systems • Recruitment – inability due to market demands • Loss of key personnel • Insufficient finance • Insufficient Resourcing
Impact	<ul style="list-style-type: none"> • Fines/enforcement action • Unable to deliver a suitable service/essential service • Resource demand/conflict • Financial – budget overspend, income generation/protection, rent loss, MTFP, viability of HRA business plan. Effect on GF income • Loss/reduction of service to Council, partners and tenants(commercial and domestic) • Reputation • Need to re home tenants • Leaseholders litigate • Negative local or national press coverage • Increased scrutiny – customer, committees, etc. • Self-referral to regulatory (co-regulation) • Commercial viability of building/site • Tenancy enforcement • Contract failure/suspension • Contract dispute • Increase turnover of staff • Inability to recruit the right staff • Poor morale/stress of workforce • Political engagement • Enforcement agency engagement • Accident/incident/poisoning • Civil claim due to failure

AUDIT & ACCOUNTS COMMITTEE

1 DECEMBER 2021

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 2021/22 against the agreed audit plan.

2.0 Background Information

2.1 The Audit Plan for 2021/22 was agreed at the Audit and Accounts Committee in February 2021 and throughout the year reports on the progress made and changes to the plan are brought to this Committee.

3.0 Proposals

3.1 To receive and comment upon the latest Internal Audit Progress Report which covers the period up to 31st October 2021.

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 (FIN21-22/7940)

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



Newark and Sherwood District Council – November 2021

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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 on the work undertaken as part of the agreed internal audit plan.

Introduction & Key Messages

The purpose of this report is to:

- Provide details of the audit work during the period July 2021 to October 2021
- Advise on progress of the 2021/22 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key messages

Since our last progress report in July 2021, we have issued five assurance reports and three other financial opinion reports. We currently have thirteen audits in progress (two at draft report stage, nine at fieldwork and two at planning stage).

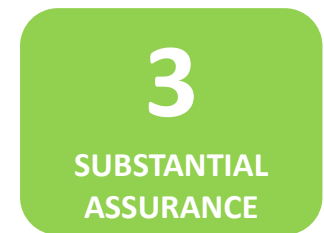
We have completed 41.3% of the 2021/22 annual audit plan.



Internal Audit work completed – Assurance work:

The following audit work has been completed and a final report issued:

- Strategic Risk (Financial Resilience) – High assurance
- Capability and Capacity – High assurance
- Debt Management – Substantial assurance
- Strategic Risks review – Substantial assurance
- Housing Options – Substantial assurance



Internal Audit work completed – Other (Financial)

During the period, we have completed the following audits:-

- Internal Audit grant Certification of a Culture Recovery Fund (CRF1)
- Independent examination of the Gilstrap Accounts
- Internal Audit grant certification of the Test and Trace Support Payments



Internal Audit Work in Progress – Assurance work:

The assurance audits in progress are:-

- Policies and Procedures – Draft Report
- Housing Benefits and Council Tax Support
- Community Lottery
- Climate Change
- Careline Services
- Compliance Services (Landlord)
- Follow-ups
- Covid Related Impacts
- Grounds Maintenance and Cleansing Services
- Health and Safety



Internal Audit Work in Progress – Consultancy and Grant certification:

The consultancy and grant certification audits in progress are:-

- Section 106 (2020/21) – Draft report
- Flood grants(2020/21 and 2021/22) – Fieldwork
- Workforce Planning – Fieldwork.

We currently have further details of these within the body of the report and in Appendix 4.

Variations to the 2021/22 audit plan

Whilst we present a plan at the start of the year, we review it periodically throughout the year to reflect changes in risk profiles. This helps to ensure that it covers those areas which are a priority to the Council and there is adequate coverage to inform the Head of Internal Audit's opinion.

Since the last Committee review of the audit plan in April 2021, management requested the following:-

- Covid 19 Test and Trace Support Payments grant – added to the plan
- Culture Recovery Fund Grant – added to the plan
- Governance Review (Arkwood and Active4Today) – deferred until early 2022/23

Implementation of agreed actions

There are 11 outstanding actions which are currently being implemented. The relevant Directors have agreed to authorise extensions of the actions to ensure they are fully implemented.

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

High Assurance

Strategic Risk (Financial Resilience)

Our review of the Strategic Risk- Financial Resistance found that the key risk mitigating controls identified in the Strategic Risk Register are in place and generally working effectively to ensure the Council's financial resilience is strengthened. Based on our findings we can give a Substantial assurance opinion that the strategic risk around the financial sustainability and resilience for the General Fund activity is well managed and the controls are regularly reviewed and updated. The related controls are regularly reviewed and updated to ensure they sufficiently address the risk.

Key documents including the Medium Term Finance Plan (MTFP), the Investment Strategy and the Capital Programme which support the Council to effectively manage its finances were in place.

The Capital Monitoring Meeting group reviews the progress made against the agreed General Fund capital programme on a quarterly basis throughout the year to ensure that the Council's financial resource is deployed effectively to enable achievement of its Community Plan objectives and priorities. This also enables management to identify any risks that could prevent them from achieving the programme giving them the opportunity to make corrective decisions.

Quarterly Budget Monitoring meetings are undertaken within each Directorate and this gives Senior Management the opportunity to constantly review, understand and appropriately respond to significant financial pressures encountered within their directorates to ensure effective budget management.

Estimates for the annual Business Rates use a proven Business Rates tool and the impact of Covid-19 had been factored into the calculation model which strengthens the reliability of the MTFP.

We only identified one area where the control relating to ensuring the Commercial Strategy could be regularly reviewed and updated to ensure it fully supports the Council's MTFP which is particularly one of the important strategies to the Council's financial sustainability.

High Assurance

Capability and Capacity

Following our review of the Council's ICT capacity and capability to provide a day to day ICT service and its ability to implement the proposed future strategies, we have given a High assurance opinion on the activities.

The capacity within the ICT service is sufficient and this enables continued provision of the day to day ICT service across the Council to effectively support both current and future ICT service requirements.

Service improvement projects are identified through annual meetings with Business Managers that help the ICT service understand the current and future ICT needs of the Business Units. Staff resource that is used to support service improvement projects is assessed using a dedicated spreadsheet that assists in determining what service improvement activities can be supported within the year.

A Digital Transformation Board has also been established to work closely with ICT services to identify and implement digital solutions that deliver continuous improvement and innovation across the Council's services.

The ICT service has undertaken a robust self assessment of the team's skills and competencies. Where some gaps have been identified, appropriate action plan has been put in place to address the skills balance and resilience of the service provision.

Substantial Assurance

Our review encompassed the Covid pandemic, as well as flooding and significant organisational change faced by NSDC, which put additional pressure on the Council's resources during 2020.

During this time, the Senior Leadership Team (SLT) closely monitored the impact of Covid on the delivery of its core services and re-wrote the Community Plan priorities.

The annual strategic risk workshop attended by the SLT was held in November 2020 and a new strategic risk register is currently being produced to capture the new risks identified, including one risk around the community impact of Covid, and ensuring alignment to the Community Plan. Our overall assessment of the direction of travel for the Council's risk management arrangement is improving.

Progress on the new strategic risk register is being reported to the Audit and Accounts Committee. We have therefore given a 'Substantial' audit opinion. In addition, we found that:

- Ownership of the strategic risks has been assigned at an appropriate level (i.e. SLT members)
- There are structures in place to ensure emerging risk are identified enabling appropriate risk action to be put in place
- Officers and Members have access to the technical risk management expertise of the Safety and Risk Officer
- Risk management is intrinsically linked and embedded within decision-making processes across the Council
- The Corporate Risk Management Group meets on a quarterly basis, attended by Service Managers from areas of most risk exposure, as well as the Safety and Risk Officer and Performance Team

However, the Council's focus on the Covid response has meant that strategic risk management processes have not been rigorously followed throughout 2020 and the progress of the delivery of actions raised against three findings from a previous 2018 Risk Management report has been hindered.

We found the following improvements can be made:

SLT Oversight

- The SLT should ensure that their risks are reviewed on a timely basis and that the strategic risk register is updated accordingly.

Strategic Risks

Substantial Assurance

- A collective review of the strategic risk register should be undertaken on a quarterly basis by SLT to confirm that the right strategic risks are appropriately identified and managed. Good risk management follows a dynamic process and given the current challenges facing Councils, regular review and updates on strategic risks is crucial to ensure that a good risk management culture is maintained
- Quarterly assurance reporting to the SLT should be implemented and embedded.
- For ease of navigation and interpretation of risk performance, it would benefit from the inclusion of detail such as links to the Community Plan, Corporate Risk Appetite, assurances and interdependencies between risks, and a reduced number of key mitigating controls.

Member Oversight

There has been limited reporting on strategic risk management to Members to support them in their oversight / decision-making roles. Prior to the Audit and Accounts Committee in November 2020, the Committee received annual updates on strategic risk management. There is no reporting to Members outside of the Audit and Accounts Committee, such as the Policy and Finance Committee.

Risk Management Policy

The Corporate Risk Management Strategy and Policy, which includes the Strategic Risk Appetite statement, is dated April 2016 and therefore requires a full review and update by the SLT and approval by Members. This is to ensure the policy continues to remain relevant and fit for purpose, the risk management processes and roles and responsibilities included are clear, reflect current practice and demonstrate 'tone from the top'.

Training

No formal risk management training has been provided to Officers or Members since more than three years ago. The provision of training would assist Officers and Members in fulfilling their role and responsibilities in respect of strategic risk management.

Strategic Risks (Continued)

Substantial Assurance

Debt Management

Our review of Debt Management has found that there are good processes and procedures in place, which ensure that debts are collected promptly. There has been significant progress made in a relatively short time to create robust and resilient processes despite the delays encountered in meeting the expected staffing levels and impacts of Covid. The Council has maintained a positive direction of travel in reducing the level of debts despite the self imposed hold on reminders which was in place during the pandemic up to May 2021. Collaborative working between the Sundry Debt Team and Asset Management have also enabled a proactive management for commercial debts.

We found several good practices which contribute positively to the management of the debts including:-

- A robust Policy and Procedures document is available to all staff, coupled with a tranche of guidance notes for staff covering all elements of the process;
- Systems have been implemented to get debts under control in order to reduce the overall debt through a logical and streamlined approach;
- A formalised process for using external debt recovery enforcement and court actions;
- Quarterly reports are produced to SLT that highlight the salient information but which are supported by a robust and thorough level of supporting data;
- Meetings are held monthly with service areas and the Sundry Debt Team;
- The information on Sundry Debts in E-financial has been enhanced by documents and actions being attached to individual debtor accounts, which had previously not been the case;
- A targeted approach to longstanding debts;
- Instalment arrangements have been reviewed and revised where appropriate. Multiple longstanding debts are now grouped into an overall total in E-financial where appropriate;
- The recent government legislation "Breathing Space" relating to debtors has been incorporated into the Debt Recovery Teams procedures.

We have made some recommendations around further checks, which could be put in place to increase the potential to collect debts and prevent the necessity for recovery action. We have also provided advice and recommendations on dealing with debts owed by deceased Service Users / Customers to ensure that the council efficiently collects these and avoids unnecessary upset for the bereaved.

Substantial Assurance

Housing Options

Our review has provided a substantial assurance opinion that there are sufficient arrangements in place which enable the Council to manage homelessness and overall fulfil its statutory obligations.

The Housing Options Team has responded well to the additional challenges brought about by the Covid 19 pandemic which had a direct effect on service delivery in this area. There are several areas where the controls are working well including:-

- A collaborative approach to tackling homelessness with other local Councils and interested groups through the Joint Homelessness Inter agency Forum
- Effective joined up working with other internal teams including Tenancy & Estates and the Income Management Team to promote an early warning attitude to any difficulties that could lead to homelessness
- Proactive use of a wider management group and central government advisors to obtain advice and discuss and agree interpretation and compliance with legislation in new and unusual situations
- Targeted support to address the key strategic themes of homelessness through the provision of a range of in house advice, support and housing solutions roles and funding of specialist external posts
- A well-defined process from initial contact to resolution of duty which enables the Council to meet its legislative duties, whilst providing service users with a clear and easy to use service
- Annual reporting to committee supported by in year reporting on specific projects

As the Team continued to provide a rapid response to the Covid Pandemic, some strategic areas have not had the normal level of attention due to the operational focus of the Team.

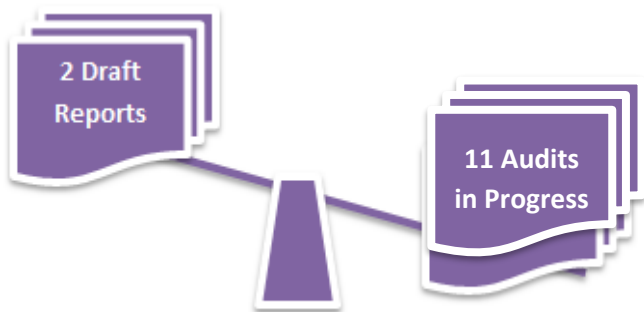
We identified some areas where some improvements can be made to strengthen management oversight of the team's performance and the wider work being undertaken to ensure continued delivery of the Council's Homelessness Strategy including:-

- A need to review and ensure improved monitoring of the Key Performance Indicators (KPIs) to provide clarity and visibility over the work undertaken by the Council to relieve and prevent homelessness. This also helps to ensure timely and relevant analysis on progress against the Homelessness Strategy

Substantial Assurance

Housing Options (cont'd)

- Effective tracking of the Homelessness Strategy Action plan ensuring this is regularly reviewed and updated to provide useful management information that supports decision making.
- Strengthening of the team training plan arrangements and maintenance of the training records to ensure gaps in skills and knowledge are identified and promptly addressed enabling staff to be well supported to comply with the legislation



Audits reports at draft

We have 2 audit at draft report stage:

- Policies and Procedures – Substantial assurance (indicative)
- S106 (Consultancy)

Work in Progress

We have the following audits in progress:-

- Housing Benefits and Council Tax Support – Fieldwork
- Community Lottery – Fieldwork
- Climate Change – Fieldwork
- Careline Services – Fieldwork
- Compliance Services (Landlord) – Fieldwork
- Follow-ups – Fieldwork
- Covid Related Impacts – Fieldwork
- Grounds Maintenance and Cleansing Services – planning
- Health and Safety – Planning
- Flood grants(2020/21 and 2021/22) – Fieldwork
- Workforce Planning – Fieldwork.

Other significant work

We are currently undertaking work on the Combined Assurance process which is progressed through the Directorate Meetings and the outcomes of this work will be presented to the Committee in February 2022.

Update to 2021/22 Audit Plan

In consultation with Senior Management, we made some changes to the audit schedule to reflect the risk environment and operational challenges and Appendices 2, 3 and 4 present the changes made.




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

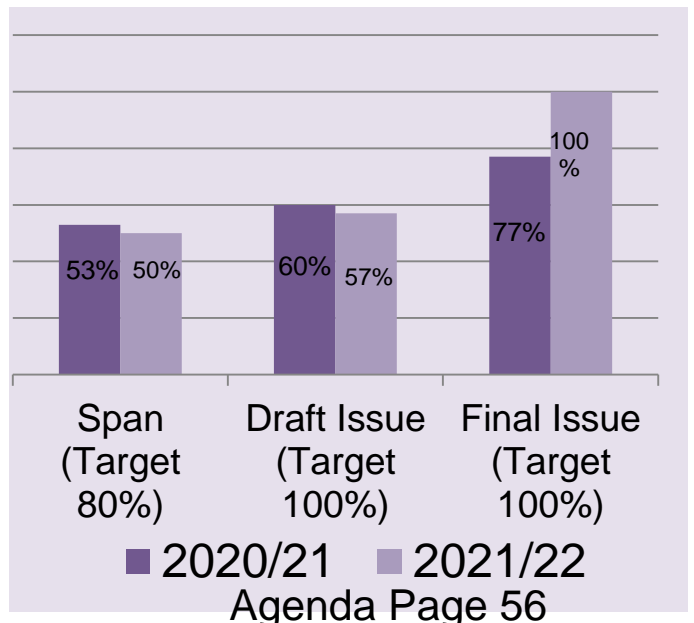
Performance on Key Indicators



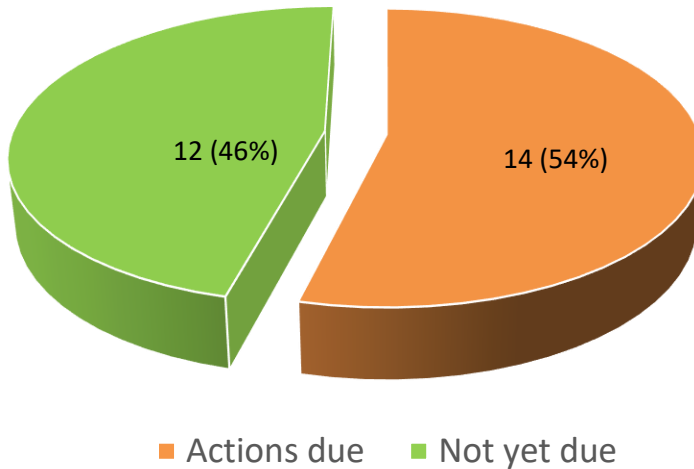
Positive feedback has been received



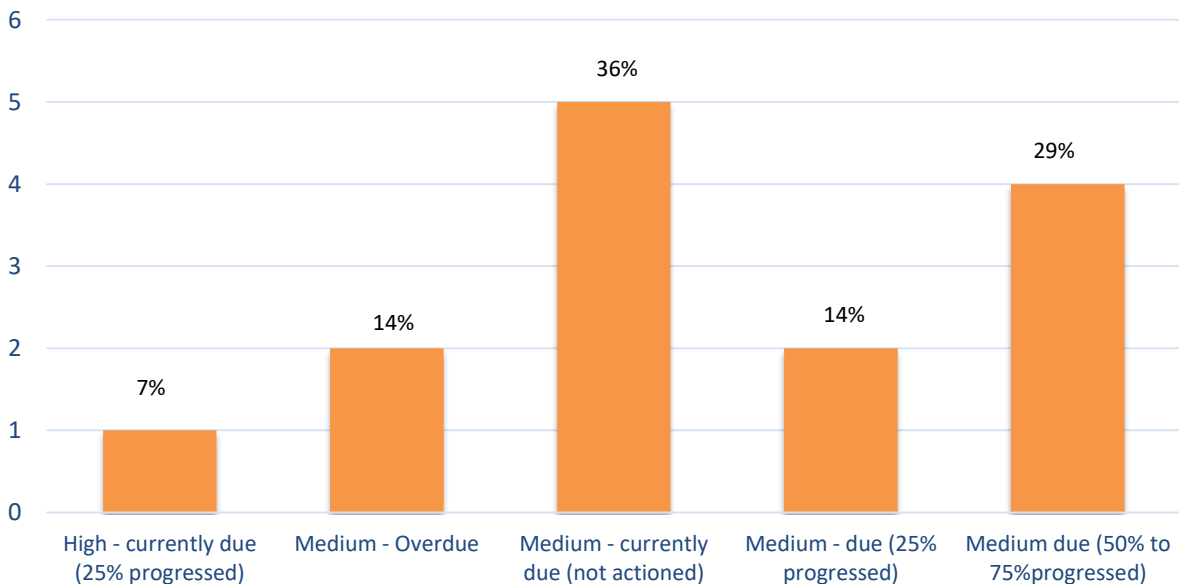
Plan completed 41.3%



All Actions remaining to be implemented



Summary of due actions



Other Matters of Interest

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



30
JUL
2021

Please find below some of the key extracts from the CIPFA Audit Committee Update Issue 35:

Supporting improvements to risk management arrangements

The Better Governance Forum held two discussion groups with members in April 2021 to discuss the experience of the pandemic and what it meant for risk management. The groups discussed how their arrangements had fared in supporting the organisation’s management through the pandemic. The key areas for improvement identified by the groups were as follows:

- better integration with plans and management processes
- consistency across the organisation, and
- a focus on action.

When asked how improvements to risk management arrangements could be achieved both groups were consistent in their choice of the best action to take – investment in staff training and awareness of risk management.

The detailed results of the discussions are available in a briefing, the link to which can be found within the CIPFA Audit Committee Update Issue 35 (July 2021). The paper contains a summary of the findings identifying strengths and areas for improvement.

Audit Committee Guidance

In July the Ministry of Housing Communities and Local Government (MHCLG) issued a further update on progress against the Redmond Review recommendations. One of the areas reviewed as part of the consultation was guidance for Audit Committees which the MHCLG has recommended to be strengthened and updated to support effective audit committee arrangements. The consultation asks for comments on this proposal and whether it is agreed.



Other Matters of Interest

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

The updated guidance is likely to include the following:

- structure
- role of independent members
- how the committee interacts with full council
- reporting to those charged with governance
- core functions
- knowledge, expertise and training of audit committee members
- facility to meet privately with auditors.

Reporting to full council / those charged with governance

MHCLG is proposing to amend the Accounts and Audit Regulations so that the full council should receive the auditor's annual report from the local auditor. The purpose of this is to improve transparency to the public and ensure all members are aware of issues raised by the auditor and recommendations. It is also proposed that it is accompanied by a report from the audit committee containing its responses to the auditor's annual report.

The full CIPFA Audit Committee Update Issue 35 (July 2021) can be found by opening this link:

<https://www.cipfa.org/services/networks/better-governance-forum/audit-committee-update>

Assurance

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.

Ranking of Recommendations

High

Necessary due to statutory obligation, legal requirement, Council policy or significant risk of loss or damage to Council assets, information or reputation.

Medium

Could cause limited loss of assets or information or adverse publicity or embarrassment. Necessary for sound internal control and confidence in the system to exist.

Low

Current procedure is not best practice and could lead to minor inefficiencies.

Amendments to Internal Audit Plan as at October 2021

Audit	Rational	Change
Test and Trace Support Payment	The grant terms and conditions require Internal Audit to sign a declaration confirming that adequate investigations and checks have been undertaken to ensure that the grant monies have been spent appropriately	Added to plan
Culture Recovery Fund Grant (CRF1)	The grant terms and conditions require Internal Audit to sign a declaration confirming that adequate investigations and checks have been undertaken to ensure that the grant monies have been spent appropriately	Added to the plan
Governance Review (Arkwood and Active 4 Today)		Management have requested to defer the audit until QRT 1 of 2022/23.

Deferred Audits

Audit	Rational	Change
Strategic Asset Management	Capacity - there were several vacant key posts within the Business Unit which management are addressing.	Deferred to QRT 4
Project Strategy	Capacity - there key posts that have been vacant within the Business Unit which management are in the process of addressing.	Deferred to QRT 4
Customer Services Integration	There have been issues within the Careline Services which needed addressing first before starting the integration work commences. The deferral will help to ensure the changes are embedded to enable independent assessment of their effectiveness.	Deferred to QRT 4

Cancelled Audits

During 2020/21, we started a review of the Decision Making to support the Council whilst it was making a decision on the new governance model. We were unable to complete the review in a timely manner and this audit has been cancelled as it is not relevant anymore.

Audit	Scope of work	Planned start date	Actual start date	Progress status and Assurance
Key Control Testing	Delivery of key control testing to enable Head of Internal Audit to form opinion on the Council's financial control environment	QRT 3 / QRT 4		
Housing Benefits & Council Tax Reduction	To provide assurance that Housing Benefit and Council Tax Reduction are paid accurately and promptly to eligible applicants and changes in circumstances are actioned correctly	QRT 2 Jul 2021		Fieldwork
Value for Money	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.	QRT 1 Jun 2021		Delayed start pending our understanding of the External Auditor's VFM coverage
Strategic Risk – Financial Resilience	To provide assurance that the risk has been appropriately rated and reviewed and that the mitigating actions listed are currently in place and working effectively.	QTR 1 May 2021		Completed (High)
Company Governance (Arkwood and Active4Today)	Review of the governance arrangements in place ensuring that there is sufficient oversight and risk management processes in place.	QRT 2 Aug 2021		Deferred until 2022/23 QRT1 (Mgnt request)
Community Lottery	Review of the governance arrangements in place for the running of the Community Lottery to ensure that they are sound protecting the Council and participants	QRT 2 Sep 2021		Fieldwork
Cloud Hosted Services	To review recent instances of cloud/hosted services to establish the due diligence undertaken in arriving at the selected option and security deployed through that arrangement.	QRT 4 Jan 2022		
Selima HR/Payroll	To provide assurance that the computer security controls within the Selima HR and Payroll system provide a safe and secure operating environment.	QRT 4 Jan 2022		

Audit	Scope of work	Planned start Date	Actual start date	Progress status
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.	QRT 3 Nov 2021		
Newark Civil War Museum and Palace Theatre	To provide independent assurance around VFM work and delivery capacity assessment being undertaken by the Council's Financial Services staff	QRT 2 Sep 2021		ToR being drafted
Grounds Maintenance and Cleansing Service	To provide assurance over the revised arrangements in place ensuring that issues previously identified have been addressed.	QRT 3 Nov 2021		Fieldwork due to start
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.	QRT 3 Oct 2021		Deferred to QRT 4
Climate Change Emergency	Following the declaration of a climate emergency, the Council has plans in place for action to be taken by itself and within the District.	QRT 2 Aug 2021		Fieldwork
Customer Services (Integration)	To provide assurance on the effectiveness, impact and success of the revised arrangements following the integration of NSH staff into one Customer Services Team	QRT 3 Oct 2021		Deferred to QRT 4
Contract Management - General	<p>There are effective arrangements in place which ensure that all contracts are recorded, allocated to contract managers and there are processes in place which ensure that they are managed effectively.</p> <p>The risks around contracts including supply chain failure, modern slavery, data sharing etc are identified and actions taken to mitigate the identified risks.</p>	QRT 3 Oct 2021		ToR being drafted
Health and Safety	To provide assurance that the arrangement in place for Health and Safety are effective and meet legislative requirements. To follow-up the actions made within the previous report.	QRT 2 Aug 2021		Fieldwork due to start

Audit	Scope of work	Planned start Date	Actual start date	Progress status
Landlord Compliance (Compliance Services)	To ensure that those areas of compliance not previously reviewed (e.g. gas, electricity etc) are in place and that all relevant legislation is adhered to. Follow-up on those areas of compliance previously reviewed to ensure that the actions agreed have been implemented.	QRT 2 Aug 2021		Fieldwork (almost complete)
Care Line Services	To provide assurance that there are effective arrangements in place for the management and delivery of the Careline service and that all items of equipment are logged and accounted for.	QRT 1 May 2021		Planning
Workforce Planning	The Council has effective arrangements which ensure that there are sufficient skilled staff in place to enable effective service provision and such arrangements consider succession planning of key staff identifying positions which hold the greatest risk if vacant.	QRT 1 May 2021		Fieldwork – consultancy type review as per the mgnt request
Project Strategy	To provide assurance over the newly formed Corporate Property, Strategy and Delivery Business Unit's capacity to deliver key projects ensuring clear triage between 'Asset and Estates', 'Corporate Property, Strategy and Delivery' and 'Economic Development'.	QRT 3 Oct 2021		Deferred to QRT 4 (Mgnt request)
Social Housing White Paper	To provide an independent review of the requirements of the Social Housing White Paper and the current and planned processes in place to identify and address any gaps identified.	QRT 3 Oct 2021		
Policies and Procedures	To provide an independent review of the integration of the key policies and procedures from Newark and Sherwood Homes into those of the Council.	QRT 1 Jun 2021		Draft Report issued
Follow-ups (2021/22)	Follow-up of recommendations made for the progress reports and on a sample basis.	QRTs 2, 3 and 4 (Jul 21)		Fieldwork
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium accounts	QRT 1 Apr 2021		Completed Accounts signed off

Audit	Scope of work	Planned start Date	Actual start date	Progress status
Combined Assurance	Updating the Assurance Map and completing the Combined Assurance report.	QRT 3 Oct 2021		Fieldwork
Gilstrap	Independent examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	QRT 2 Aug 2021		Completed Accounts signed off
Test and Trace Support Payment grants	Grant certification work to ensure the grant monies have been spent appropriately.	QRT 2 Jul 2021		Draft Audit certificate to be signed off
Culture Recovery Fund Grant (CRF1)	Grant certification work to ensure the grant monies have been spent appropriately.	QRT2		Completed Audit Certificate issued
Covid related Impacts	<p>Review of the impact of Covid on the Council's processes and system providing assurance that the alternative arrangements provide effective control and whether they will have an impact on future provision.</p> <p>(deferred from previous year)</p>	Brought forward from previous year		Fieldwork (almost complete)
Housing Options	<p>To give independent assurance that the strategies and policies covering the homelessness legislation, are being complied with and that there are processes in place which ensure that the Council fulfils its statutory duty for the prevention of homelessness within the district.</p> <p>(deferred from previous year)</p>	Brought forward from previous year		Completed (Substantial)
Flood Grants	To give the Chief Executive or Chief Finance Officer of the Council the Authority's Chief Internal Auditor's opinion that he can give reasonable assurance that the invoices submitted by the Authority for Claims fairly represent expenditure under the Scheme made in accordance with the provisions of the Memorandum of Understanding (MoU)	Brought forward from previous year And straddles over two financial years		Fieldwork

Audit	Scope of work	Planned start Date	Actual start date	Progress status
Debt Management	To give you independent assurance that the processes and controls in place for recovering debts are appropriate, robust and designed to reduce the level of debt accumulated	Brought forward from previous year		Completed (Substantial)
Strategic Risks	To provide assurance that the Strategic Risks are identified, managed and linked to the corporate priorities of the Council (Community Plan). There is a process in place which ensures that they remain current and action plans ensure that risk mitigation actions are implemented as planned	Brought forward from previous year		Completed (Substantial)
Capability and Capacity	To provide independent assurance that the ICT service has arrangements in place to deliver the required service levels both now and in the future.	Brought forward from previous year		Completed (High)

AUDIT & ACCOUNTS COMMITTEE

1 DECEMBER 2021

TREASURY MANAGEMENT 2021-22 MID YEAR REPORT

1. Purpose of Report

1.1. This report provides an update on the Council's treasury activity and prudential indicators for the first half of 2021/22.

2. Summary of Treasury Balances as at 30 September 2021

2.1. Below is a summary of the Councils borrowing position as at 30 September 2021, further information is available at section 6.

Balance on 01/04/2021	Narrative	Balance on 30/09/2021
£m		£m
95.212	Total Borrowings	95.010
0.224	Total Other Long Term Liabilities	0.224
95.436	TOTAL EXTERNAL DEBT	95.234

2.2. Below is a summary of the Councils investment position as at 30 September 2021, further information is available at section 7.

Balance on 01/04/2021	Narrative	Balance on 30/09/2021
£m		£m
39.770	Total Short term Investments	50.230
7.500	Total Long term Investments	7.500
47.270	TOTAL INVESTMENTS	57.730

2.3. Below is a summary of the Councils capital expenditure position as at 30 September 2021, further information is available at section 5.

Capital Expenditure	2021/22	Current Expenditure	2020/21
	Initial Capital Budget	30/09/2021	Revised Estimate
	£m	£m	£m
General Fund Expenditure	32.326	4.125	19.711
HRA Expenditure	25.035	4.357	24.625
Total Capital Expenditure	57.361	8.482	44.337

2.4. **Prudential Indicators**, the Council can confirm no prudential indicators where breached during the first six months of financial period 2021/22, further information is available at section 9.

3. Introduction

- 3.1. This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017). The primary requirements of the Code are as follows:
- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
 - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.
- 3.2. This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:
- An economic update for the first part of the 2021/22 financial year;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
 - A review of the Council's investment portfolio for 2021/22;
 - A review of the Council's borrowing strategy for 2021/22;
 - A review of any debt rescheduling undertaken during 2021/22;
 - A review of compliance with Treasury and Prudential Limits for 2021/22.
- 3.3. Treasury Management is defined as: "The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".
- 3.4. The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

4. Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy update

4.1. The Treasury Management Strategy Statement (TMSS) for 2021/22 was approved by Full Council on 9 March 2021. There are no suggested policy changes to the TMSS within this report; the details in this report update the position in the light of the updated economic position and capital budget changes approved at Policy and Finance throughout the year.

5. The Council's Capital Position

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

5.1. The table below shows the revised estimates for capital expenditure and the changes since the Capital Programme was agreed within the Capital budget on 9th March 2021.

Capital Expenditure	2021/22	Current Expenditure	2021/22
	Capital Budget approved		Revised Estimate
	09-Mar-20		30-Sep-21
	£m	£m	£m
General Fund Expenditure	32.326	4.125	19.711
HRA Expenditure	25.035	4.357	24.625
Total Capital Expenditure	57.361	8.482	44.337
Financed by:			
Capital Receipts	2.389		3.066
Capital Grants	10.990		8.190
Capital Reserves	0.554		0.554
Revenue	16.163		19.448
Total Financing	30.096		31.259
Borrowing Requirement	27.265		13.078

The financing of the Capital Programme will be determined by the S151 Officer at the year-end based on best use of resources.

The decrease from the Budget approved 9th March 2021 relates to approved capital carry forward requests and approved variations to the capital programme as shown in the table below.

Original Capital Budgets - Approved 21/22	57.361
Capital Budget carry forwards 20-21 approved Policy and Finance 24.06.21	10.935
Policy & Finance 23.09.21 Approvals (Appendix C)	-13.531
Policy & Finance 25.11.21 Approvals (Appendix C)	-10.428
Revised Capital Budget 30.09.21	44.337

6. Borrowing Strategy

6.1. At 30 September 2021 the Council held £95.2m of loans, as part of its strategy for funding previous years' borrowing within those capital programmes.

6.2. **Borrowing Activity in 2021/22**

	Balance on 01/04/2021	Estimated Balance to year end - Made on 30/09/2021	Balance on 01/04/2021	Estimated Balance to year end - Made on 30/09/2021
	£m	£m	£m	£m
Short Term Borrowing	0.382	0.209	3.000	3.000
Long Term Borrowing	3.300	3.300	88.530	88.501
TOTAL BORROWING	3.682	3.509	91.530	91.501
Other Long Term Liabilities	0.224	0.224	0.000	0.000
TOTAL EXTERNAL DEBT	3.906	3.733	91.530	91.501
CFR	29.139	30.183	109.023	114.004
Under / (over) borrowing	25.232	26.449	17.493	22.504

6.3. As the Council is in a significant under borrowed position, as per the table in 6.2, there may be a requirement during the remainder of the financial year where new borrowing is required. Any new borrowing will be within the approved Treasury Management Borrowing Strategy framework and will have been reviewed by the S151 Officer for cost effectiveness as whether to borrow shorter term or long term in relation to interest rate forecasts.

6.4. **LOBOs:** The Council holds £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. All of the £3.5m of LOBOS had options during the last 6 months, none of which were exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

6.5. **Internal borrowing:** For the Council, the use of internal resources in lieu of borrowing has continued to be the most cost effective means of funding of capital expenditure that has not been funded from grants and other resources. This has lowered overall treasury risk by reducing both external debt and temporary investments. However this position will not be sustainable over the medium to longer term as the Council needs to use reserves for the purpose they were set aside for, and external borrowing may need to be undertaken.

6.6. **Debt rescheduling:** The premium charge for early repayment of PWLB debt remains relatively expensive for the loans in the Council's portfolio and therefore unattractive for

debt rescheduling activity. No rescheduling activity was undertaken or is proposed during the rest of the financial year as a consequence.

7. Investment Activity

7.1. The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a return commensurate with these principles.

7.2. Investment Activity in 2021/22

Type of Investment	Balance on 01/04/2021	Balance on 30/09/2021	Average Interest Rate
	£m	£m	
Short term Investments			
<i>Fixed Term Deposits:</i>			
Santander	5.000	5.000	0.55%
Lloyds 95 Day Notice	5.000	0.000	0.00%
Local Authority Investment	5.000	0.000	0.00%
Close Brothers	2.000	2.000	0.35%
Goldman Sachs	0.000	5.000	0.22%
<i>Money Market Funds:</i>			
Goldman Sachs	0.025	2.340	0.00%
Deutsche Bank	0.005	12.000	0.00%
Invesco	10.850	12.000	0.01%
CCLA	7.240	7.240	0.03%
<i>Bank Call Account:</i>			
Handelsbanken	4.650	4.650	0.01%
Total Short Term Investments	39.770	50.230	
Long term Investments			
CCLA Property Fund	4.000	4.000	3.64%
CCLA Diversified Income Fund	3.500	3.500	3.80%
Total Long Term Investments	7.500	7.500	
TOTAL INVESTMENTS	47.270	57.730	
Increase/ (Decrease) in Investments		10.460	

7.3. Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money

is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

- 7.4. The Council’s budgeted investment return for 2021/22 is currently forecasting a £0.216m unfavourable variance. As shown by the interest rate forecasts in appendix 2, interest income is low currently. Some of the Money Market Funds and more recently the Debt Management Account Deposit Facility (DMADF), are offering negative rates of return in some shorter time periods. Given this risk environment and the fact that increases in Bank Rate are unlikely to occur before the end of the current forecast horizon of 31st March 2023, investment returns are expected to remain low.

8. Non-Treasury Investments

- 8.1. The definition of investments in CIPFA’s revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return or regeneration purposes. This is replicated in MHCLG’s Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return or regeneration purposes.
- 8.2. Breakdown below of current Non-Treasury Investments held;

	Balances 30 September 2021 £m
Growth Investment Fund	£0.093
Loans to Housing Associations	£0.017
Loans to Parish Councils	£0.014
Loans to RHH Ltd	£0.000

These investments are due to generate £0.002m of investment income for the Council after taking account of direct costs, representing a rate of return of 5.44%.

9. Prudential Indicators

Breach of Indicators

- 9.1. There have been no breaches of the prudential indicators in the first six months of the financial year 2021/22.

Limit To Borrowing Activity

- 9.2. **Authorised Limit and Operational Boundary for External Debt.** The Local Government Act 2003 requires the Council to set an Affordable Borrowing Limit, irrespective of their indebted status. This is a statutory limit which should not be breached. The Operational Boundary is based on the same estimates as the Authorised Limit but reflects the most likely, prudent but not worst case scenario without the additional headroom included within the Authorised Limit. The s151 Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2021/22.

	Approved Operational Boundary 2021/22	Authorised Limit	Actual External Debt 30/09/2021	Compliance
	£m	2021/22	£m	
		£m		
Borrowing	166.350	173.550	95.010	Yes
Other Long Term Liabilities	0.400	0.600	0.224	Yes
Total	166.750	174.150	95.234	Yes

- 9.3. **Maturity Structure of Fixed Rate Borrowing.** This indicator is to limit large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates.

	Upper Limit	Actual at 30/09/2021	Actual at 30/09/2021	Compliance
	%	£m	%	
Under 12 months	15%	6.30	6.65%	Yes
12-24 months	15%	7.50	7.91%	Yes
2-5 years	30%	12.50	13.19%	Yes
5-10 years	100%	19.86	20.95%	Yes
Over 10 years	100%	48.64	51.30%	Yes

Limits to Investing Activity

- 9.4. **Security.** The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator	Target	Actual	Compliance
Portfolio average credit rating	A	AA+	Yes

- 9.5. **Liquidity Risk Indicator.** The Council has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a banding period, without additional borrowing.

Total cash available within;	Limit	Actual 30/09/21
3 months	100%	78%
3 - 12 months	80%	9%
over 12 months	40%	13%

- 9.6. **Principal Sums Invested for over 364 Days.** The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments

	Price Risk Limit 2021/22	Actual Investment 30/09/2021	Compliance
Limit on principal invested beyond year end	£15m	£7.5m	Yes

Limits to Capital Activity

9.7. **Capital Financing Requirement.** The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose.

	2021/22	2021/22
	Original	Revised
	Estimate	Estimate
	£m	£m
CFR – non housing	42.772	30.183
CFR – housing	118.177	114.004
Total CFR	160.950	144.187
Estimated Net movement in CFR		-16.763

9.8. **Capital Financing Costs to Net Revenue Stream.** Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2021/22 Original Estimate £m	2021/22 Revised Estimate £m
General Fund		
Financing Costs	-0.351	-0.351
Proportion of net revenue stream	-1.69%	-1.69%
Housing Revenue Account		
Financing Costs	12.203	12.203
Proportion of net rental stream	48.72%	48.70%

10. Economic Background/Interest Rate Forecast

10.1. **Appendix A and Appendix B** gives a summarised outlook for the economic background and interest rate forecast from our Treasury Consultants, Link.

11. RECOMMENDATIONS that:-

- (a) the treasury management activity be noted and recommend to Full Council on 14 December; and
- (b) the Prudential Indicators detailed in Section 9 of the report be noted.

Background Papers

Nil.

For further information, please contact Andrew Snape, Assistant Business Manager – Financial Services on extension 5523.

N Wilson

Business Manager Financial Services

Economics Update**MPC meeting 24.9.21**

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, **the MPC had been prepared to look through a temporary spike in inflation.**
- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement;** this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **The MPC's forward guidance on its intended monetary policy** on raising Bank Rate versus selling (quantitative easing) holdings of bonds is as follows: -

1. Placing the focus on raising Bank Rate as “the active instrument in most circumstances”.
 2. Raising Bank Rate to 0.50% before starting on reducing its holdings.
 3. Once Bank Rate is at 0.50% it would stop reinvesting maturing gilts.
 4. Once Bank Rate had risen to at least 1%, it would start selling its holdings.
- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

US. See comments below on US treasury yields.

EU. The slow roll out of vaccines initially delayed economic recovery in early 2021 but the vaccination rate has picked up sharply since then. After a contraction in GDP of -0.3% in Q1, Q2 came in with strong growth of 2%, which is likely to continue into Q3, though some countries more dependent on tourism may struggle. Recent sharp increases in gas and electricity prices have increased overall inflationary pressures but the ECB is likely to see these as being only transitory after an initial burst through to around 4%, so is unlikely to be raising rates for a considerable time.

German general election. With the CDU/CSU and SPD both having won around 24-26% of the vote in the September general election, the composition of Germany’s next coalition government may not be agreed by the end of 2021. An SPD-led coalition would probably pursue a slightly less restrictive fiscal policy, but any change of direction from a CDU/CSU led coalition government is likely to be small. However, with Angela Merkel standing down as Chancellor as soon as a coalition is formed, there will be a hole in overall EU leadership which will be difficult to fill.

China. After a concerted effort to get on top of the virus outbreak in Q1 2020, economic recovery was strong in the rest of the year; this enabled China to recover all the initial contraction. During 2020, policy makers both quashed the virus and implemented a programme of monetary and fiscal support that was particularly effective at stimulating short-term growth. At the same time, China’s economy benefited from the shift towards online spending by consumers in developed markets. These factors helped to explain its comparative outperformance compared to western economies during 2020 and earlier in 2021. However, the pace of economic growth has now fallen back after this initial surge of recovery from the pandemic and China is now struggling to contain the spread of the Delta variant through sharp local lockdowns - which will also depress economic growth. There are also questions as to how effective Chinese vaccines are proving. In addition, recent regulatory actions motivated by a political agenda to channel activities into officially approved directions, are also likely to reduce the dynamism and long-term growth of the Chinese economy.

Japan. 2021 has been a patchy year in combating Covid. However, after a slow start, nearly 50% of the population are now vaccinated and Covid case numbers are falling. After a weak Q3 there is likely to be a strong recovery in Q4. The Bank of Japan is continuing its very loose monetary policy but with little prospect of getting inflation back above 1% towards its target of 2%, any time soon: indeed, inflation was negative in July. New Prime Minister Kishida has promised a large fiscal stimulus package after the November general election – which his party is likely to win.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices,

shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

Supply shortages. The pandemic and extreme weather events have been highly disruptive of extended worldwide supply chains. At the current time there are major queues of ships unable to unload their goods at ports in New York, California and China. Such issues have led to mis-distribution of shipping containers around the world and have contributed to a huge increase in the cost of shipping. Combined with a shortage of semi-conductors, these issues have had a disruptive impact on production in many countries. Many western countries are also hitting up against a difficulty in filling job vacancies. It is expected that these issues will be gradually sorted out, but they are currently contributing to a spike upwards in inflation and shortages of materials and goods on shelves.

Interest Rate Forecasts

The Council’s treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

Additional notes by Link on this forecast table: -

- LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, our forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Our forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short term cash at any one point in time.

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
- Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- There are 1.6 million people coming off furlough at the end of September; how many of those will not have jobs on 1st October and will, therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?

- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

Gilt and treasury yields

Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden’s, and the Democratic party’s determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend further huge sums on infrastructure and an American families plan over the next decade which are caught up in Democrat / Republican haggling. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour and supply bottle necks is likely to stoke inflationary pressures more in the US than in other countries.
4. And the Fed was still providing monetary stimulus through monthly QE purchases.

These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries. This could then force the Fed to take much earlier action to start tapering monthly QE purchases and/or increasing the Fed rate from near zero, despite their stated policy being to target average inflation. It is notable that some Fed members have moved forward their expectation of when the first increases in the Fed rate will occur in recent Fed meetings. In addition, more recently, shortages of workers appear to be stoking underlying wage inflationary pressures which are likely to feed through into CPI inflation. A run of strong monthly jobs growth figures could be enough to meet the threshold set by the Fed of “substantial further progress towards the goal of reaching full employment”. However, the weak growth in August, (announced 3.9.21), has spiked anticipation that tapering of monthly QE purchases could start by the end of 2021. These purchases are currently acting as downward pressure on treasury yields. As the US financial markets are, by far, the biggest financial markets in the world, any trend upwards in the US will invariably impact and influence financial markets in other countries. However, during June and July, longer term yields fell sharply; even the large non-farm payroll increase in the first week of August seemed to cause the markets little concern, which is somewhat puzzling, particularly in the context of the concerns of many commentators that inflation may not be as transitory as the Fed is expecting it to be. Indeed, inflation pressures and erosion of surplus economic capacity look much stronger in the US than in the UK. **As an average since 2011, there has been a 75% correlation between movements in 10 year treasury yields and 10 year gilt yields. This is a significant UPWARD RISK exposure to our forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.**

There are also possible **DOWNSIDE RISKS** from the huge sums of cash that the UK populace have saved during the pandemic; when savings accounts earn little interest, it is likely that some of this cash mountain could end up being invested in bonds and so push up demand for bonds and support their prices i.e., this would help to keep their yields down. How this will interplay with the Bank of England eventually getting round to not reinvesting maturing gilts and then later selling gilts, will be interesting to keep an eye on.

The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on 'achieving broad and inclusive "maximum" employment in its entirety' in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be 'sustainably over 2%' and the ECB now has a similar policy.
- **For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.**
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

AUDIT & ACCOUNTS COMMITTEE

1 DECEMBER 2021

COUNTER-FRAUD ACTIVITIES FROM 1 APRIL 2020 TO 30 SEPTEMBER 2021

1.0 Purpose of Report

1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 21 April 2020.

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, **221** potentially fraudulent claims for housing benefit have been referred to the Fraud and Error Service for investigation. Of these 37 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 2,269 grants, 749 were flagged as requiring a review.

4.2 All of the 749 cases have been reviewed and 3 have been recorded as fraud and 2 as error totalling £50,000. Action is currently being taken to retrieve those funds – so far £20,000 (2 grants) have been recovered. County Court proceedings have commenced against one of the grant recipients.

4.3 An additional data matching exercise has been undertaken for grant payments made for the period November 2020 to February 2021. The results for this data match were used to verify the trading status of businesses that applied for a restart grant prior to paying the grant.

4.4 Based on the Fraud Risk Register that was presented to the committee on the 21 April 2021, a number of other actions that were identified have also been completed:

- Update control documents and instructions for all election type activities

- Communications and training around fraud awareness through e-learning
- Spot checks of procurements to ensure CPR compliance
- Review off-contract spend through transparency data
- Sign up to NAFN for fraud updates
- Data analysis of payroll information and costs
- Extend pre-employment checks to reduce risks around possible employment of those that have been subject to people trafficking
- Review of processes around agency workers (claims etc) to ensure robust
- Ensure Managers know the signs of trafficking so they can raise concern as appropriate by providing annual refresher training
- Planning refunds where the application has been made through the Planning portal to be refunded through that process, where all other refunds will require an image from the bank account to show originating bank
- Refunds of application fees to be authorised only by Business Manager or Planning Technical Support Manager
- Reconciliation of fees (planning, street naming and numbering and land charges)
- Training on Housing Benefits processes to the Housing Management Business unit

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 2020/21 1,606 Council Tax the single person discount awards were investigated. Of the matches generated by NFI, 117 cases of suspected fraud were identified amounting to £31,575.25.

5.3 The 2021/22 exercise commenced in February 2021 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 Equalities Implications

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

7.0 Financial Implications (FIN20-21/7127)

7.1 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' financial position.

8.0 RECOMMENDATION

That Members note the content of the report.

Reason for Recommendations

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

Background Papers

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

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

Nick Wilson
Business Manager - Financial Services

AUDIT & ACCOUNTS COMMITTEE

1 DECEMBER 2021

RESULTS OF THE ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION

1.0 Purpose of Report

1.1 To inform the members of the Audit & Accounts Committee of the results of the recent assessment of the effectiveness of the Internal Audit function including a self-assessment of the Committee.

2.0 Background Information

2.1 In 2015, the Public Sector Internal Audit Standards (PSIAS) were updated. One of the requirements of the PSIAS is that a regular review of the effectiveness of the Internal Audit function is carried out.

2.2 A second requirement is that a self-assessment of the effectiveness of the Audit & Accounts Committee is carried out.

2.3 At the meeting of the Audit & Accounts Committee held on 27th November 2019, the Committee considered a report which reviewed the effectiveness of the Internal Audit function and the self-assessment of the Audit and Accounts Committee.

2.4 The review into the effectiveness of the Internal Audit function considered a range of areas that were felt to be relevant to assessing the Internal Audit service. The panel considered each of these in turn before forming a conclusion. More detail relating to this is in section 3 below.

2.5 The self-assessment of the Audit Committee was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. An action plan was created in order to ensure that the Committee conforms to the best practice guidance.

2.6 The final recommendation from the report in November 2019, was that a further review into the effectiveness of the Internal Audit function and a self-assessment of the effectiveness of the Audit and Accounts Committee be undertaken during July 2021.

3.0 Results of the Review of the Effectiveness of the Internal Audit Function September 2021

3.1 A panel was chosen, in consultation with the Chair of the Committee, which consisted of the Chair and one other Member of the Committee and the Business Manager – Financial Services, to review the effectiveness of the Internal Audit function.

3.2 The panel considered a range of areas that were felt relevant to assessing the Internal Audit service. The table below describes those areas considered and the thoughts of the panel.

Area	Panel's views
Does the Internal Audit Service add value to the organisation?	It was felt that with representatives from Internal Audit attending Directorate Team Meetings, this ensures the control environment is high on the priority list for the Council and that management agreed actions are always in focus. As management actions are intended to improve control, effectiveness and efficiency, it was felt that this assisted with adding value to the Council.
Does Internal Audit work with the Council whilst retaining its independence?	It was felt that as the service is provided by an external provider, this aided the independence of the Internal Audit service, as there can be no undue influence levered over the Head of Internal Audit which could be apparent within an internal arrangement. This does not however compromise the working relationship, as it was felt that the relationship with the Internal Audit service through officers of the Council was strong.
How well does the Internal Audit service support the Audit Committee?	It was felt that should any members of the Committee feel they needed to have a conversation with Internal Audit separately from Management, this could be accommodated. The service also prepares timely and informative reports for Committee on progress updates and facilitates training for members of the Committee.
How does the Internal Audit service communicate with the Council?	<p>It was felt that communication between the Committee and the service was good, in that officers were able to present the reports to the Committee in a concise and accurate manner, highlighting the areas the Committee should be focused on. Reports also include regular updates regarding any new information relating to audit nationally.</p> <p>Also the service has regular liaison meetings with management to continually review the annual Internal Audit Plan</p>
Are reports presented to the Audit Committee timely/relevant?	<p>It was felt that reports presented are timely, and do reflect all information as close up to the cut-off date for publication of the report.</p> <p>Reports are felt to be clear and to the point, giving members of the Committee the relevant points in relation to the various audits reviewed in the period.</p>

	It was also felt that reports are linked and hence progress can be seen between the original Internal Audit Plan approved for the year, compared with the progress reports throughout the year, followed by the annual report at the end of the financial year.
How is the relationship between the service and the Council?	It was felt that the relationship was strong between the Council and the service. This can be evidenced in one way by 92% of the internal audit plan being delivered during 2020/21 despite the impacts of the pandemic, showing that the Council continually managed to support the relationship despite the additional workload brought about by the pandemic. Again the regular liaison meetings between management and the service allows that strong relationship to prosper.
Is the Internal Audit service open and transparent?	It was felt that the reports brought to the Committee offer members a clear insight into each of the areas audited and that where issues are highlighted, these are brought to the attention of members for their review.
Is the Internal Audit service adequately skilled and do the officers conduct themselves with integrity and professionalism?	It was felt that officers from the Internal Audit service are adequately qualified and conduct themselves appropriately whilst presenting at Committees. As the service provides Internal Audit services for a number of other Local Authorities, it was felt that this also offers further skills to the officers in that they can utilise experiences of auditing similar functions from other Council's offering a unique ability to form a view on best practice.

3.3 Based on the table above, once the panel had considered all of the areas identified, it was concluded that currently the Internal Audit function is working effectively.

4.0 Results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee September 2021

4.1 The self-assessment was undertaken using a questionnaire provided within CIPFA's Practical Guidance for Audit Committees. The self-assessment was facilitated by the Internal Audit Manager (Assurance Lincolnshire) and the Business Manager – Financial Services with the panel, as above, scoring the assessment. The questionnaire aims to determine whether the Audit Committee within a council meets with best practice as outlined in the guidance.

4.2 There were 36 questions requiring responses. For 25 of those, the group agreed that the Audit & Accounts Committee demonstrated best practice against the guidance (23 in

2019/20); there were 11 questions where the group considered that the Committee partly met the best practice (8 in 2019/20); 0 where the group considered that the Committee did not meet best practice (4 in 2019/20), one question was not applicable to the Council in the 2019/20 assessment. A table showing the results of the questionnaire is attached at **Appendix A**.

4.3 For the areas assessed as either partially meeting best practice or not meeting best practice, actions have been included in the action plan attached at **Appendix B**. The group recommend that the action plan is adopted by the Committee.

4.4 In respect of the action relating to the subscription to CIPFA's Better Governance Forum, the Service Plan for this is attached at Appendix C. By subscribing to this network, the authority will gain access to a wide range of webinars and face-to-face events at various regional venues as well as expert support and guidance that is centred on all aspects of governance and internal audit. The current annual cost for this is £4,610, albeit this cost is relevant to the 2021/22 financial year and may be subject to inflation for the 2022/23 financial year. The cost is also non pro-rata and hence the subscription would be taken from the 1st April 2022, otherwise the full £4,610 would be payable just for the part year to 31st March 2022. This cost would need adding into the budget process for the next financial year.

5.0 Future Assessments

5.1 It is no longer a statutory requirement that an annual review of effectiveness be carried out, and the Audit & Accounts Committee has previously determined that an assessment should be carried out every two years. It is therefore proposed that the next self-assessment by Newark & Sherwood District Council is undertaken during July 2023.

6.0 RECOMMENDATIONS:

That the Committee:

- (a) notes the results of the review of the effectiveness of the Internal Audit Function;
- (b) notes the results of the Self-Assessment of the Effectiveness of the Audit & Accounts Committee;
- (c) adopts the action plan;
- (d) recommends to the Policy and Finance committee through the budget process to add £4,610 (subject to inflationary increase that CIPFA may apply) into the base budget for 2022/23 and beyond in respect of the subscription to the Better Governance Forum;
- (e) agrees that the next assessment should be undertaken in September 2023.

Background Papers

Public Sector Internal Audit Standards
Local Government Advisory Note
Audit Lincs Independent External Assessment report

Audit Lincs Quality Assurance Improvement Programme
Internal Audit Strategy
CIPFA Practical Guidance for Audit Committees

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

Nick Wilson
Business Manager – Financial Services

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, then it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment can be used to support the planning of the audit committee work programme and training plans. It can also inform an annual report.

Good practice questions		Yes	Partly	No
Audit committee purpose and governance				
1	Does the authority have a dedicated audit committee?	Y		
2	Does the audit committee report directly to full council? (applicable to local government only)	Y		
3	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s Position Statement?		Y	
4	Is the role and purpose of the audit committee understood and accepted across the authority?		Y	
5	Does the audit committee provide support to the authority in meeting the requirements of good governance?	Y		
6	Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Y		
Functions of the committee				
7	Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?			
	• good governance		Y	
	• assurance framework, including partnerships and collaboration arrangements		Y	
	• internal audit	Y		
	• external audit	Y		
	• financial reporting	Y		
	• risk management	Y		
	• value for money or best value		Y	

Good practice questions		Yes	Partly	No
	<ul style="list-style-type: none"> counter fraud and corruption 	Y		
	<ul style="list-style-type: none"> supporting the ethical framework 		Y	
8	Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	Y		
9	Has the audit committee considered the wider areas identified in CIPFA’s Position Statement and whether it would be appropriate for the committee to undertake them?		Y	
10	Where coverage of core areas has been found to be limited, are plans in place to address this?	Y		
11	Has the committee maintained its advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Y		

Membership and support

12	<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> separation from the executive an appropriate mix of knowledge and skills among the membership a size of committee that is not unwieldy consideration has been given to the inclusion of at least one independent member (where it is not already a mandatory requirement) 	Y		
13	Have independent members appointed to the committee been recruited in an open and transparent way and approved by the full council or the PCC and chief constable as appropriate for the organisation?	Y		
14	Does the chair of the committee have appropriate knowledge and skills?	Y		
15	Are arrangements in place to support the committee with briefings and training?		Y	
16	Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?		Y	
17	Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	Y		
18	Is adequate secretariat and administrative support to the committee provided?	Y		

Good practice questions		Yes	Partly	No
Effectiveness of the committee				
19	Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	Y		
20	Are meetings effective with a good level of discussion and engagement from all the members?		Y	
21	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Y		
22	Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?		Y	
23	Has the committee evaluated whether and how it is adding value to the organisation?	Y		
24	Does the committee have an action plan to improve any areas of weakness?	Y		
25	Does the committee publish an annual report to account for its performance and explain its work?	Y		

**APPENDIX B
ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL AUDIT -
ACTION PLAN**

Question	SELF ASSESSMENT AREA OF GOOD PRACTICE	CONCERN	ACTION	Timeline
3	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 current TOR for the Committee lacked a reference to governance which is covered within CIPFA's position statement. Although the Committee undertake this function, the TOR should be updated to make reference to this.	The TOR for the audit committee within the new governance structure should include a statement relating to the Committee's remit in respect of governance	May-22
4	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	The role and purpose of the Audit Committee will be reinforced through the change in governance processes the Council is currently undertaking.	May-22
7	Do the Committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement (areas relating to: a) Assurance framework, b) Value for Money, c) Supporting the ethical framework)	It was felt that the TOR did not include reference to the areas referenced. Although the Committee receives reports and undertakes those responsibilities, these were not reflected in the TOR for the committee	The TOR for the audit committee within the new governance structure should include reference to the Committee's responsibility in respect of the areas referenced.	May-22
9	Has the Audit Committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	The Position Statement sets out four wider areas that an Audit Committee may undertake. Currently it does undertake the responsibility for reviewing and monitoring the Council's treasury management arrangements and oversight of the Statement of Accounts, but does not work with the committee responsible for standards and ethics.	This wider responsibility will be considered as part of the TOR for the new audit committee as part of the new governance structure	May-22
15	Are arrangements in place to support the Committee with briefings and training	A training plan was presented to the Committee at its July 2021 meeting with training having taken place since then. There are however further support systems available for the Committee.	A new training plan will be put in place in order to cater for any new audit committee members post the change in governance system. Additionally to this CIPFA have a Better Governance Forum which offers Officers and Members timely information on audit and governance issues. Further information to this is appended to the main report. A decision regarding a subscription should be entered into is recommended from this report.	Dec-21
16	Has the membership of the Committee been assessed against the core knowledge and skills framework and found to be satisfactory	A questionnaire was sent to all audit committee members early in 2021 which sought to identify gaps in core knowledge and skills. Based on this the training plan referred to above was put in place. As there will be a change in governance structure from May 22, it was felt that this assessment should be completed again at that point in time.	This will be built into the training plan for the new audit committee post the change in governance system.	May-22
20	Are meetings effective with a good level of discussion and engagement from all the members?	It was felt that there was, at times, a lack of contribution from members of the Committee during discussions regarding reports tabled at the committee.	This will be built into the training plan for the new audit committee post the change in governance system.	May-22
22	Does the Committee make recommendations for the improvement of governance, risk and control and are these acted on?	Although there was some evidence of this, in that during 2019, the Committee requested Business Managers attend the committee to present limited audit reports, this was the only evidence of this	This will be built into the training plan for the new audit committee post the change in governance system.	May-22

Better Governance Forum (BGF)

Your network membership

2021/22

cipfa.org

The network offer

The CIPFA Better Governance Forum (BGF) supports governance practitioners and internal auditors in the public services.

It offers a wide range of valuable webinars and face-to-face events at various regional venues as well as expert support and guidance that is centred on all aspects of governance and internal audit.

Our website also contains presentations from past events, webinar recordings, newsletters and key resources to support your governance work. Our briefings for audit committee members can be downloaded free of charge for all BGF subscribers.

All BGF training events can be delivered on-site, at a discounted rate for network members.

Our weekly newsletter, provided to over 600 members, contains updates on changes in legislation and comments on policy and topical issues.

For those with specific questions, our advisors are on hand to help.

How to join?



If you would like further information about the benefits of subscribing to the BGF, please contact [Diana Melville](#) who will be delighted to assist you.

Joining the BGF

If you are interested in joining BGF or have any questions, please email cipfanetworks@cipfa.org or call CIPFA on 020 7543 5600 and we can provide a quote based on your required level of membership.

Features and benefits

- Attend webinars and regional network events using pre-purchased places or on a pay as you go basis at special reduced subscriber rates
- We will be offering both a choice of webinars plus some face to face events during 2021, providing maximum flexibility from your subscription
- Access to subscriber-only short webinars to keep you updated with what's 'On the Agenda'
- Technical support and guidance from expert advisors
- Regular newsletter to keep you updated on the latest governance and policy issues
- Timely updates on relevant political, financial and legislative issues and on how these will affect your job role, service delivery and organisation
- Exclusive website access to briefings and newsletters as well as our current and past event materials
- Three issues of Audit Committee Update to support and brief your audit committee members on new developments and good practice
- 10% discount on the Diploma in Corporate Governance
- Discounts off any CIPFA Essentials training events run by other CIPFA Networks
- Access to other network events when bought under a corporate membership arrangement.

What our members say



“Absolutely first class course. Trainers’ knowledge second to none.”



“I always find BGF webinars informative. Diana Melville has an excellent understanding of all things governance and provides a very good insight into the subject.”

Programme of events

Our planned headline events below are complemented by alerts and briefings, monthly newsletters and dedicated advisor support for practitioners in subscribing organisations. Prepaid places can be used to attend any events set out in this service plan.

New events may be added during the year and details of these, along with options for use of pre-paid places, will be confirmed as part of the event promotion materials and BGF newsletters.



January 2021

A Practical Understanding of Good Governance

An introduction to the governance framework for local government.



January 2021

Update for Local Authority Audit Committees

Briefings and guidance for audit committee members.



February 2021

Governance Practitioner Update

A focus on new developments in governance to support the Annual Governance Statement for 2020/21 and application of the Framework.



March / November 2021

Introduction to Internal Audit

This Essentials workshop provides delegates with a good basic understanding of internal audit.



April 2021

Risk Update

An update on emerging risks and approaches to risk management.



May 2021

Spring Update for Police Audit Committees

Briefings and guidance to support members of police audit committees.



June 2021

Summer Update for Local Authority Audit Committees

Briefings and guidance to support members of audit committees on the review of the AGS.



June 2021

Summer Internal Audit Update

The CIPFA conference to support internal auditors.



June / September 2021

Introduction to the Audit Committee

Support for those new to the audit committee.



September 2021

Introduction to the Audit Committee in Policing

Support for those new to police audit committees.



September 2021

Procurement and Contracting Risks

Event focusing on key and topical areas of procurement and contracts.



October 2021

Internal Audit Practitioner Update

These workshops focus on the internal audit standards supporting practical implementation and good practice.



October 2021

Autumn Update for Police Audit Committees

Briefings and guidance to support members of police audit committees.



November 2021

Governance Seminar

A topical policy update for practitioners with responsibility for governance.



November 2021

Winter Internal Audit Update

CIPFA seminar to support internal auditors with updates on policies and risk areas to support internal audit planning.



January 2022

Winter Update for Local Authority Audit Committees

Briefings and guidance on topical issues for audit committee members.



February 2022

Governance Practitioner Update

A focus on new developments in governance to support the Annual Governance Statement for 2021/22 and application of the Framework.

On the Agenda

Short briefings delivered by webinar on topical issues throughout the year. These briefings will be accessible to subscribers only, helping you to stay up to date, ask questions and share practice with other subscribers.

Full details of these events will be available at www.cipfa.org/events or contact Diana Melville for further details.

Further support

On-site delivery

Most BGF workshops are available as an on-site delivery. Contact us for more information.

CIPFA Essentials

Our 'Introduction to ...' Essentials programme is designed to help support those who may be new to the sector, or perhaps working in a new role, and may also benefit non-finance staff and elected Members. These interactive workshops are a great way to help develop knowledge and awareness of a specific service area and are proving increasingly popular with staff development programmes.

Specialist support

The BGF can provide support for audit committee development through on-site training, webinars and effectiveness reviews.

CIPFA's guidance to audit committees and [Position Statement](#) are kept under regular review and these are complemented by the BGF's resource for audit committee members: [Audit Committee Update](#).

Our networks

Looking for more support from our networks?

We offer a number of other networks across a range of topics. We also offer corporate subscriptions for your organisation allowing you and your colleagues to access events and support across multiple CIPFA networks according to your needs.

For any other network enquiries, or for details about our corporate network support package, please contact:

Sandra Beard

Interim Senior Networks Manager

sandra.beard@cipfa.org

Our current networks are:

- Alternative Service Delivery Network
- Better Governance Forum
- Benefits and Revenues Service
- Finance Advisory Network
- Insurance Network
- Pensions Network
- Police and Fire Network
- Procurement and Commissioning Network
- Social Care Advisory Network
- Treasury Management Network

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AUDIT AND ACCOUNTS COMMITTEE

1 DECEMBER 2021

APPOINTMENT OF EXTERNAL AUDITORS

1.0 Purpose of Report

- 1.1 For the Committee to agree a procurement route for the appointment of the Council's External Audit arrangements post for the 2023/24 financial year onwards.

2.0 Background Information

- 2.1 The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established transitional arrangements for the appointment of external auditors and the setting of audit fees for all local government and NHS bodies in England. On 5 October 2015 the Secretary of State Communities and Local Government (CLG) determined that the transitional arrangements for local government bodies would be extended by one year to also include the audit of the accounts for 2017/18.
- 2.2 At the Council meeting on 11 October 2016, Council agreed to Opt-in to the sector led arrangements run by PSAA (Public Sector Audit Appointments Limited), who were set up and specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.
- 2.3 As the Council opted into this process, the procurement of the Council's External Auditors was managed by PSAA. This culminated in the Council appointing Mazars LLP as the Council's External Auditors for a 5 year period covering the audits from 2018/19 to 2022/23.
- 2.4 The Council has recently been contacted by PSAA regarding the potential to again Opt-in to the national exercise to procure External Auditors from 1st April 2023. The closing date to give notice to PSAA of the Council's acceptance of the invitation is Friday 11 March 2022, and it is full Council that must make the decision as to whether to accept the offer.

3.0 Options for Local Appointment of External Auditors

- 3.1 There are three broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act):
- 3.2 **Option 1: To Make a Stand Alone Appointment**
In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must be wholly, or a majority, of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/Benefit

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have some local input to the decision.

Disadvantages/Risks

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract was estimated by the LGA to cost in the order of £15,000 plus ongoing expenses and allowances during the last exercise.

The audit firms responding to the bidding process are likely to come from the same pool of firms as the national procurement.

The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

The assessment of bids and decision on awarding contracts will be taken by a majority of independent appointees and not by elected members.

3.3 Option 2: Set up a Joint Auditor Panel/Local Joint Procurement Arrangements

The Act enables the Council to join with other authorities to establish a joint auditor panel. Again this will need to be constituted of wholly, or a majority, of independent appointees (members). Further legal advice will be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/Benefits

The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Disadvantages/Risks

The decision making body will be further removed from local input, with potentially no input from elected members where a wholly independent auditor panel is used or possible only one elected member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual Councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment which would require the set-up of its own independent Auditor Panel at a late stage in the process, and with all the attendant costs and loss of economies possible through joint procurement.

There is also a risk that the Council cannot find another authority in order to join up with, as within the last exercise 98% of eligible bodies made the choice to opt-in for the five year period that commenced on 1st April 2018.

3.4 **Option 3: Opt-in to a sector led body**

In response to the consultation on the new arrangement the LGA successfully lobbied for Councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. The government have confirmed that Public Sector Audit Appointments Limited (PSAA), the transitional body set up by the LGA, has been specified as an appointing person under the provisions of the Local Audit and Accountability Act 2014 (the 2014 Act) and the Local Audit (Appointing Person) Regulations 2015. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements being developed, for audits of the accounts from 2023/24.

Advantages/Benefits

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.

By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation.

Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

The appointment process would not be ceded to locally appointed independent members but instead to a separate body set up to act in the collective interests of the 'opt-in' authorities.

Disadvantages/Risks

Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

4.0 The Way Forward

4.1 The Council have until 31 December 2022 to make an appointment. In practical terms this means one of the options outlined in this report will need to be in place by spring 2022 in order that the contract negotiation process can be carried out during 2022.

4.2 The Local Audit (Appointing Person) Regulations 2015 require that a principal authority may only make the decision to opt into the appointing person arrangement by the members of the authority meeting as a whole.

5.0 Legal Implications

- 5.1 Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements.
- 5.2 Section 12 makes provision for the failure to appoint a local auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.
- 5.3 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person.

6.0 Financial Implications

- 6.1 The fee for the current financial year is £58,280 as per the Audit Strategy Memorandum as presented to the Audit and Accounts Committee on 28 July 2021.
- 6.2 There was an acknowledgement within the Redmond Review (for which a summary report was presented to the Audit and Accounts Committee on 25 November 2021) that:

"the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements"

With this comment in mind, it is likely therefore that there will be an increase in the cost during the next 5 year period.

- 6.3 The cost of establishing a local or joint Auditor Panel outlined in options 1 and 2 above would need to be estimated and included in the Council's budget for 2022/23. This will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.
- 6.4 Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases in audit fees by entering in to a large scale collective procurement arrangement and would remove the majority of the costs of establishing an auditor panel.

7.0 RECOMMENDATION

That the Committee approves the report above and recommends to Council to opt into the National Appointment Arrangements with Public Sector Audit Appointments Limited (PSAA).

Background Papers

Nil.

For further information please contact Nick Wilson on 01636 655317.

Sanjiv Kohli

Deputy Chief Executive/Director of Resources and S151 Officer