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Tuesday, 19 April 2022

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, 27 April 2022 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

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit & Accounts Committee** held in the Civic Rooms 1+2, Castle House, Great North Road, Newark, Notts, NG24 1BY on Wednesday, 2 February 2022 at 10.00 am.

PRESENT: Councillor Mrs S Michael (Chairman)

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

APOLOGIES FOR ABSENCE: Councillor M Brown (Committee Member)

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

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

39 DECLARATION OF ANY INTENTIONS TO RECORD THE MEETING

There were no declarations of intention to record the meeting.

40 MINUTES OF THE MEETING HELD ON 1 DECEMBER 2021

A Committee member referred to the Workplan as presented to the previous Committee meeting advising that a progress report would be provided by Internal Audit to the current meeting. The Chairman confirmed that this would be provided at the next Committee meeting in April.

AGREED that the Minutes of the meeting held on 1 December 2021 be approved as a correct record and signed by the Chairman.

41 ORDER OF BUSINESS

With the agreement of the Committee, the Chairman changed the order of business. Agenda Item 9 was taken before Item 8 and then the agenda resumed its stated order thereafter.

42 AUDIT COMMITTEE WORK PLAN

The Committee noted the Work Plan provided by the Business Manager for Financial Services providing those items currently on the Work Plan for the 27 April 2022 meeting.

Other items have not so far been identified for the new Governance Structure and this will be provided in due course.

43 HOMES ENGLAND COMPLIANCE AUDIT REPORT 2021-22 - HRA 5 YEAR DEVELOPMENT PROGRAMME

The Committee considered the report from the Director for Housing, Health and Wellbeing informing the Committee of the outcome of the Homes England Audit 2021/22 for the Council's 5 Year Housing Revenue Account (HRA) Development Programme.

The report also advised the Committee of any actions taken and enable the Council to sign off the Audit on Homes England's Information Management System by the end of April 2022.

The report informed the Committee that this has been received annually over the last few years, and is a requirement of Homes England that the Committee comment on the report. It was noted that receiving a green grade audit this time was a positive outcome and all details could be found in the report.

It was confirmed that training had been provided to the relevant Officers to support the use of the Homes England IMS System.

AGREED (unanimously) that the Committee noted the findings of the Compliance Audit.

44 REVIEW OF SIGNIFICANT GOVERNANCE ISSUES IN THE ANNUAL GOVERNANCE STATEMENT

The Committee considered the report from the Business Manager for Financial Services updating members of the Committee on the significant governance issues identified in the Annual Governance Statement.

The report provided updates and any further work undertaken with regard to:

- Development Company – Arkwood Developments Limited
- Re-integration of the Housing Management Function
- Yorke Drive Development

A discussion was held regarding the updates against each of the three identified governance issues and members of the committee felt that when this report is brought in future, further relevant details are brought and are attached to the report.

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

45 EXTERNAL AUDITOR'S ANNUAL AUDIT COMPLETION REPORT

The Committee considered the report from the Business Manager for Financial Services presenting the External Auditors supplemental letter to the Annual Audit Completion Report, presented to the Audit & Accounts Committee on 1 December 2021.

David Hoose, Audit Engagement Partner at Mazars presented the report noting reference to VFM highlighted in the following report. The Chairman enquired as to why it had taken a lot longer to achieve sign off. The Committee were assured that the delay having been due to the pandemic and the reduction in staff.

AGREED (unanimously) that:

a) the Committee received the updated External Auditors Supplemental Letter to the Annual Audit Completion Report for 2020/21;

b) the Committee noted the document; and

c) the Committee noted that the Statement of Accounts were published on 6 January 2022.

46 EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER 2020/21

The Committee considered the report from David Hoose, Audit Engagement Partner at Mazars who presented the External Auditor’s Annual Audit Letter for 2020/21 for Newark & Sherwood District Council.

The Annual Audit Report summarises the key findings from the external audit work carried out by Mazars in 2020/21. It covers the 2020/21 Statement of Accounts and the Value for Money commentary for the same year.

The report explained the increase to the final fee partly due to additional work pressures around the change in the Council’s group boundary, the additional testing of PPE, the implementation of new auditing standards and additional work arising from the change in the Code of Audit Practice. The proposed fee to be approved by the Council.

AGREED (unanimously) that:

a) the Committee considered the External Auditor’s Annual Audit Letter for 2020/21: and

b) delegation to take place with the Section 151 Officer in negotiating with Mazars regarding the fee and keeping the Chairman informed.

47 TREASURY MANAGEMENT STRATEGY STATEMENT

The Committee considered the report from the Assistant Business Manager for Financial Services seeking approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.

The Committee approved each of the following key elements and recommended these to Full Council on 8 March 2022 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

AGREED (unanimously) that:

a) the Treasury Management Strategy 2022/23, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A);

b) the Treasury Prudential Indicator and Limits, contained within Appendix A; and

c) the Authorised Limit Treasury Prudential Indicator contained within Appendix A.

48 CAPITAL STRATEGY 2022/23

The Committee considered the report from the Assistant Business Manager for Financial Services seeking Committee approval to the Capital Strategy 2022/23, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.

The Committee approved each of the following key elements and recommended these to Full Council on 8 March 2022 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

AGREED (unanimously) that:

a) the Capital Strategy 2022/23 Appendix A;

b) the Capital Prudential Indicators and Limits for 2022/23, contained within Appendix A;

c) the Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix C, which sets out the Council's policy on MRP; and

d) the Flexible Use of Capital Receipts Strategy, contained with Appendix D.

49 INVESTMENT STRATEGY

The Committee considered the report from the Assistant Business Manager for Financial Services informing the Committee that this Investment Strategy is for 2022/23, meeting the requirements of statutory guidance issued by Department of Levelling Up, Housing and Communities DLUHC (previously MHCLG) Investment Guidance in January 2018.

The Committee approved each of the following key elements and recommended these to Full Council on 8 March 2022 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:

AGREED (unanimously) that:

a) the Investment Strategy 2022/23, contained within Appendix A and

b) the Investment Prudential Indicators and Limits, contained within Appendix A.

50 DATE OF NEXT MEETING

The next meeting would be held on Wednesday 27 April 2022.

Meeting closed at 10.44 am.

Chairman

AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

UPDATE ON THE STRATEGIC RISK MANAGEMENT PROCESS AND REGISTER

1.0 Purpose of Report

1.1 To provide an update to members on the status of the Council's 2022/23 Strategic Risk Register.

1.2 To provide an update to members regarding the risk management policy

2.0 Background

2.1 Risk management assists in the identification and management of significant risks faced by the Council which have the potential to prevent it from achieving its key/agreed objectives. Proactively identifying potentially significant risks and implementing suitable control strategies help prevent these risks from being realised or this is not possible mitigate to a tolerable level.

3.0 Strategic Risk Review

3.1 Strategic risks are those risks that have the potential to halt or significantly interfere with the ability of the Council to achieve its core objectives, priorities and/or ambitions.

3.2 Undertaking annual strategic risk reviews helps identify significant potential challenges the council may face so it may appropriately control or mitigate the risks as required. A facilitated strategic risk workshop was undertaken with the council's Senior Leadership Team in February 2022.

3.3 The purpose of the annual strategic risk workshop was to:
a) Consider the suitability of the existing register
b) Identify new, emerging or future significant risks
c) Consider the issues arising and develop a formal register to address these risks

3.4 During the recent annual workshop significant issues raised/topics discussed included:

- Climate change
- Environment/green agenda
- Financial resilience
- Government funding/levelling up/fair funding review
- Fee and charges
- Economy/inflation/pending debt crisis
- Infrastructure and growth
- Digital dependency and cyber threat
- Workforce resilience
- Digital inequality
- Health
- Contracts, supply chains and fluctuating markets
- Mental health
- Vulnerable communities/persons
- Stock condition/de carbonisation

3.5 This workshop evaluated all existing strategic risks and identified emerging risks for the forth coming year. The following table sets out the new 2022/23 strategic risk register developed by SLT, following the recent workshop. Members will see that no risks were fully deleted or new risks were added. However, where appropriate the risk has been amended to provide a new focus for that risk or to reflective the changes over the past twelve months. This is particularly relevant to the Community Issues- Pandemic risk.

STRATEGIC RISK REGISTER 2022/23			
Title	**Description**	**Owner(s)**	**Notes**
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	Agreed to retain in full.
Financial Sustainability - HRA	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock.	Sanjiv Kohli	Agreed to retain in full.
Safeguarding	Preventing failures within safeguarding arrangements to ensure protection of vulnerable persons.	Matthew Finch	Agreed to retain with some alterations identified. • Review of content, purpose and target score are to be undertaken at its next quarterly review.
Failure to Deliver Growth Infrastructure	Facilitating the provision of key local infrastructure projects to ensure growth within the district to meet agreed plans & corporate priorities.	Matthew Lamb	Agreed to retain with some alterations identified. • To incorporate growth and economy elements from the Community issues – Pandemic risk
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	Agreed to retain in full. • Additional assignees identified.

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	Agreed to retain with some alterations identified. • Further work to be undertaken to incorporate Fatigue, Wellbeing, Stress and mental health.
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	Agreed to retain with some alterations identified. • Further work to be undertaken to Roles and posts to support the function. Also consider possible individuals that are suitable for development.
Corporate Governance	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements.	Sue Bearman	Agreed to retain with some alterations identified. • To receive a full review to include new cabinet arrangements.
Data Management and Security	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation.	Sanjiv Kohli	Agreed to retain in full.
Arkwood Development	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement.	John Robinson	Agreed to retain with some alterations identified. • Further work to be undertaken to identify issues linked to availability of future sites.
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,	Matthew Finch	To be amended. • This risk is to be aligned to focus on vulnerable communities/persons. Not to reflect solely upon

	direct effect on specific communities/vulnerable persons and the local economy.		effects of pandemic to widen scope to include pending cost of living crisis. • Economic issues to be removed and aligned with Delivering Growth risk. • Financial issues to be removed and aligned with General fund risk.
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	Agreed to retain.
Statutory Compliance Management	Implementation and maintenance of suitable statutory safety compliance management systems.	Suzanne Shead and Sanjiv Kohli	Agreed to retain.

4.0 Strategic Risk Register 2022/23 - Development and Review

4.1 All strategic risks are formally reviewed quarterly by the risk owner, in conjunction with relevant officers. This is facilitated by the Safety and Risk Manager. Reviewing of the new register will commence in the first quarter of the year – April to June 2022.

4.2 It is the intention that all amendments or alterations identified with the recent SLT strategic risk workshop shall be incorporated within the first formal review of each risk.

4.3 All failing strategic risks will continue to be reported to SLT, via our agreed assurance processes, on a quarterly basis.

5.0 Risk Management Policy and Guidance

5.1 The Risk Management Policy and associated guidance has been fully reviewed and amended where necessary. The Council's Risk Management Group were consulted as part of this process. The final version been approved by SLT.

5.2 A copy of the current Risk Management Policy has been appended to this report as Appendix One.

5.3 A further review of this policy shall be undertaken once the proposed new governance arrangements have been implemented.

6.0 Operational Risks

6.1 Operational risks are those risks that have the potential to interfere or halt actual service delivery.

6.2 These risks sit below the strategic risk register and are service/function focussed. These risks are managed by the relevant Business Managers.

6.3 All Business managers recently undertook operational risk assessment training. The purposes of this event was to:

a) Ensure that all business managers are suitably competent to identify, develop and manage operational risks, and
b) Develop a new operational risk register

6.4 A draft operational risk register has now been produced. However, this is embryonic and further work is being undertaken to suitably develop all new risk identified.

6.5 It is envisaged that all new risk identified within this recent workshop will be developed and become active within the first quarter of the financial year i.e. April to June 2022

6.6 All failing operational risks will continue to be reported to both the Risk Management Group and SLT, via our agreed assurance processes, on a quarterly basis.

7.0 RECOMMENDATION

Members of the Committee are asked to:

(a) note the amendments to the of the Strategic Risk Register; and to,

(b) note the review of the Strategic Risk Policy.

Reason for Recommendations

To update the Committee on the Council's response and approach to strategic risk.

Background Papers

Nil.

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

Matt Finch
Director – Communities and Environment

NEWARK & SHERWOOD DISTRICT COUNCIL

Document Name: Corporate Risk Management Strategy and Policy

Effective Date: 1st January 2022

Date for Review: 1st January 2024

Version Number: 2

Approved by: SLT

Responsible Business Manager: Business Manager - Public Protection

NEWARK AND SHERWOOD DISTRICT COUNCIL

Corporate Risk Management Strategy and Policy

1.0 INTRODUCTION

1.1 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

1.2 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.

1.3 Risk management is as much about getting the right balance between innovation, change and exploiting opportunities on the one hand as it is managing threats and the avoidance of shocks and crises on the other. If correctly managed it can be a positive driver to encouraging innovation in existing service delivery and entrepreneurship in developing new services or new methods of delivery.

1.4 Risk management benefits an organisation and the performance of its managers by giving a clear sense of priorities and focus on objectives and a tool to aid more effective and efficient handling of resource distribution. It increases the likelihood of success and reduces the probability of failure and the uncertainty of achieving the organisation's overall objectives.

1.5 The Council recognises that risk management is an essential part of securing the "health" of the organisation and is an integral part of corporate governance.

2.0 RISK MANAGEMENT STATEMENT, AIMS AND OBJECTIVES

2.1 We recognise risk management as a vital activity that underpins and forms part of our vision, values and strategic objectives, (including operating effectively and efficiently), as well as providing confidence to our community.

2.2 Risk is present in everything we do and it is our policy to identify, assess and manage key areas of risk on a proactive basis. Risk management needs to be embedded throughout all processes, projects and strategic decisions. This includes procurement and contracting, and we will ensure partnerships and third-party relationships are fully compliant with the risk management policy and strategy of our organisation.

2.3 The aim of our risk management framework is to be fit for purpose and use our skills and capabilities to the full. Risk management is most effective as an enabling tool, so we need a consistent, communicated and formalised process. It is important to define the level of risk exposure considered acceptable for the organisation. This creates a clear picture of which risks will threaten the ability to achieve our objectives.

2.4 The Council's risk management objectives are to:

a) Create an environment where risk management is fully embedded and forms an integral part of planning, management processes and the general culture of the Authority rather than being viewed or practised as a separate function.

b) Achieve better quality decision making that will see a reduction in costs and an increase in the probability of delivering the quality services which the Council is aiming for.

c) Minimise possible failure through forward planning and a thorough knowledge and acceptance of potential impacts of each major decision taken.

d) Enable innovation and opportunity taking, not stifle them.

e) Ensure that those who create risks manage them responsibly and understand that failure to manage real significant risks responsibly is likely to lead to robust action including, where appropriate disciplinary action.

f) Work with partners, elected members, providers and contractors to develop awareness and a common understanding of the Council's expectations on risk management.

2.5 To achieve these objectives, the Council will develop a systematic and consistent approach to the management of risk that will:

a) Implement effective risk management as a key element of good governance and rigorous performance management.

b) Consider risk is an integral part of corporate and business planning and service delivery.

c) Encourage considered and responsible risk taking as a legitimate response to opportunity and uncertainty.

d) Achieve better outcomes for the Council through a more realistic assessment of the challenges faced, through improved decision-making and targeted risk mitigation and control.

e) Engender, reinforce and replicate good practice in risk management.

3.0 ROLES AND RESPONSIBILITIES

3.1 All Councillors, employees, service providers, partners, and stakeholders are expected to play a positive role in embedding the culture, ethos and practice of effective risk management in all activities. The following identifies their specific roles and responsibilities.

The Risk Management Guidance Document provides an overview of this Council's risk management framework and the roles and responsibilities associated with implementing it.

3.2 Risk Owners

A risk owner is the person with accountability and authority to manage a risk. For strategic risks this will always be a member of the SLT.

Risk owners shall ensure that risks are always managed in accordance with this policy.

3.3 **Risk Assignees**

A risk assignee is an officer, who usually has specialist knowledge. Risk assignees are required to support the risk owner in ensuring that the risk is suitably managed.

3.4 **Senior Leadership Team**

a) Review on an annual basis, in conjunction with the Business Manager - Human Resources and Training, the Corporate Strategic Risk Register and identify new risks that may impact on the Council and the community and agree relevant risk mitigation.

b) Determine and allocate ownership for each identified strategic risk.

c) Annually review the Council's risk appetite statement.

d) Receive minutes and reports from the Risk Management Group, including details of new/emerging risks from the Risk Management Group.

e) Review reports and provide corporate comment/direction.

f) To provide corporate commitment to the embedding of risk management within the Council.

g) Provide strategic oversight in relation to risk management performance.

3.5 **Director of Communities and Environment**

a) To Chair the Risk Management Group and direct its activities in accordance with its remit and the Risk Management Policy.

b) To be the corporate Risk Champion and to promote a risk management culture within the Council.

3.6 **Risk Management Group**

The Risk Management Group is the Council's main forum for risk management issues. This group is chaired by the Director responsible for risk management and supported by specialist lead officers and representatives from each of the business units.

The group will meet formally on a quarterly basis.

The main aims/objectives of the group are:

a) To promote implementation of the Risk Management Policy on a corporate basis.

b) To promote use of the risk management process across all aspects of service delivery.

c) To consider, evaluate and recommend actions to address significant risks identified by group members.

d) To maintain and enhance specialist skills across the Council and access additional skills as required.

e) Bring to the attention of SLT, all relevant new/emerging risks and/or risk management issues that are raised via this group, including:

- Those that may have potential strategic impact on the ability of the Council to achieve its objectives and/or have, or are likely to have significant financial implications.
- Those of such a nature that cannot be managed by the Risk Management Group and /or the Business Manager - Human Resources and Training.
- That may expose the Council and/or its officers and Members to severe and/or imminent risk of civil and/or statutory liability.

f) To identify, and appropriately fund relevant corporate risk management proposals/initiatives that have demonstrated to the Risk Management Group the potential for risk control/mitigation.

g) Through minutes of the meetings, report significant issues to SLT.

3.7 **<u>Business Manager - Public Protection</u>**

The Business Manager - Public Protection is responsible for managing the risk management process.

The Business Manager - Public Protection is specifically responsible for ensuring:

a) The Risk Management Policy is suitable and appropriately implemented.

b) The risk management function is suitably resourced.

c) To facilitate a review of the Corporate Risk Register via workshops with SLT and where necessary senior Members.

d) Provide reports as necessary to SLT, Risk Management Group, Cabinet and Audit and Accounts Overview and Scrutiny Committee.

e) Bring to the attention of SLT all new risks and risk management issues that are relevant. These will be:

- Of potential strategic impact on the ability of the Council to achieve its objectives and/or have, or are likely to have significant financial implications.
- Of such a nature that cannot be managed by the Risk Management Group and/or the Business Manager - Human Resources and Training.
- Issues that may expose the Council and/or its officers and Members to severe and/or imminent risk of civil and/or statutory liability.

f) To monitor and provide an assessment of the effectiveness (or otherwise) of:

- The robustness of corporate arrangements for risk management.
- The implementation of corporate/departmental risk management arrangements.

g) To manage the budget for corporate risk management initiatives agreed at the Risk Management Group.

3.8 **Safety and Risk Manager**

The Safety and Risk Manager is the lead officer providing technical advice, assistance and support to assist in ensuring that risk management is fully embedded within the organisation.

a) To provide advice and guidance to assist the Council in ensuring effective risk management processes are in place and adherence to this policy.

b) To assist the Business Manager – Public Protection in undertaking the duties as defined in this policy.

c) To closely liaise with Risk Management Group and other lead officers to coordinate corporate risk management initiatives and delivery of the policy.

3.9 **Business Manager - Finance**

a) To manage the Insurance fund.

b) To liaise with on a regular basis, the Council's Insurers to ensure that future premiums reflect fully the risk management performance of the Council and to receive advice from them to feed into the Risk Management Group.

c) In conjunction with the Business Manager – Public Protection, coordinate corporate risk management initiatives and deliverance of the policy, especially that part related to the transfer of risks by external insurance and the internal acceptance/transfer of others using the internal self-insurance fund.

d) To arrange all Council insurance on behalf of all services to ensure compliance with the Council's financial regulations.

e) To closely liaise with the Council's Safety and Risk Manager and together coordinate corporate risk management initiatives and deliverance of the policy.

3.10 **Transformation Manager**

The Transformation Manager is responsible for providing SLT and the Risk Management Group with quarterly assurance reports regarding the status of strategic and operational risks. These reports will be on an exception basis and include:

a) Risks not reviewed within the last period.
b) Those risks identified as "red".

c) Risks that have increased in score.
d) Outstanding actions not completed within specified completion date.

3.11 **Business Managers**

Business Managers are required to ensure risk management is an integral part of service delivery/ planning and is fully embedded within their business unit. To ensure this they shall:

a) Ensure that operational business risks are identified, evaluated and appropriately controlled as they arise and ensure that all operational business risks are embedded within their own area's Service Plans.

b) Review all their operational risks on a 3 monthly basis.

c) In consultation with SLT and Risk Management Group, assist with the compilation and maintenance of the Council's Risk Management Register and profile.

d) Ensure adequate representation and attendance at Risk Management Group where required.

e) Notify, in a timely manner, SLT and the Business Manager - Human Resources and Training of all new strategic risks that may require addressing.

f) Ensure all business insurance matters are conducted via the Council's Insurance Officer.

3.12 **Employees**

The Council is committed to the effective management of risk. It is the responsibility of all employees to carry out their duties and responsibilities with adequate regard for risk management, as outlined within this policy.

3.13 **Internal Audit**

Internal Audit shall, where appropriate, report upon the effectiveness of the Council's internal control environment and therefore help managers in minimising risk levels.

3.14 **Policy and Finance Committee**

a) Consider the effectiveness and adequacy of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. To consider the adequacy of the action being taken on risk related issues identified by auditors and inspectors.

b) Be satisfied that the Council's assurance statements properly reflect the risk environment and any controls in place to manage it.

c) Be assured that an effective policy and strategy is in place to manage risks throughout the Council.

d) To receive reports as necessary relevant to the corporate management of risk and key strategic risks and incidents.

e) Be aware of the risk management implications during formulation/agreement of strategic decisions, objectives, etc.

3.15 **Audit and Accounts Committee**

a) To review the Council's corporate governance arrangements to ensure that efficient and effective assurance arrangements are in place.

b) Consider the effectiveness and adequacy of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements. To consider the adequacy of the action being taken on risk related issues identified by auditors and inspectors.

c) Be satisfied that the Council's assurance statements properly reflect the risk environment and any controls in place to manage it.

d) To receive, examine and determine efficacy of the Council's risk management process and performance.

e) To consider and comment on the Strategic Risk Register.

3.16 **Elected Members**

Elected Members suitably consider risk management implications whilst decision making.

4.0 RISK APPETITE

4.1 The term 'Risk Appetite' is used to describe the amount of risk an organisation is willing to take in managing and controlling risk to maximise their chances of successful delivery of corporate objectives.

4.2 Given the breadth of services and functions, the Council undertakes it will inevitably have a variable appetite to risk. Decisions will depend on the context, nature of potential losses or gains and extent to which information available regarding risks is complete, reliable and relevant.

4.3 It is essential that the Council's appetite for risk is appreciated by all involved in the risk management process. Along with the availability of limited resources, this will be an important determining factor when deciding on a response to the risks identified.

4.4 Risk appetite will be assessed annually by SLT to determine suitability as part of the risk profiling process.

4.5 **COUNCIL'S AGREED RISK APPETITE STATEMENT**

The organisation operates within a strict regulatory framework and does not recognise any appetite for risk taking with regard to compliance and governance, and adherence to policies and procedures such as the General Data Protection Regulations and the Health and Safety Act. Tolerance to risk events in these areas is extremely low and any incidents or breaches will be swiftly and robustly addressed.

This means that reducing to reasonably practicable levels the risks originating from various systems, products, equipment, and our work environment, and meeting our legal obligations will take priority over other business objectives.

Quality of service delivery is also of paramount importance, and we will strive to support the people we care for by tolerating only minimal risk with regard to business continuity, project management and maintaining staff skills and competency.

We are prepared to take an acceptable level of financial risk to achieve our objectives, providing it is appropriately managed in accordance with this policy and without compromising service quality or financial viability.

We are prepared to embrace viable risk-taking in order to remain innovative and competitive and to realise opportunities.

4.6 Due to the nature of Council's priorities, different types of risk will potentially be more acceptable than others. Further guidance re risk categories and appetite can be found within the "Risk Management Guidance Document".

5.0 RISK OWNERSHIP

5.1 All risks shall have a designated risk owner. Risk owners have overall responsibility for the maintenance, monitoring and implementation of action(s) to remedy or mitigate the risk.

5.2 Ownership for the different risks is detailed below:

- **STRATEGIC RISK**: Strategic risks shall only be owned by a member of SLT who will be assisted by relevant risk assignees. SLT will agree and determine the risk owner for all strategic risks.
- **OPERATIONAL RISK**: Unless otherwise identified the Business Manager shall be the owner of those operational risks identified.
- **PROJECT RISK**: The nominated project lead will, unless otherwise stated, be the risk owner of all project based risk assessments. The risk owner shall be identified within the Project Initiation Document.

5.3 Where required risk owners will be assisted by risk assignees. Risk assignees are officers that are required to assist the risk owner in maintaining the risk.

6.0 RISK MANAGEMENT PROCESS

6.1 A standardised procedure will be utilised. The overall process followed for risk management is set out within the Risk Management Guidance Document.

7.0 IDENTIFYING SIGNIFICANT RISK

7.1 The Council will identify all significant **OPERATIONAL**, **STRATEGIC** and **PROJECT** risks to which it is exposed.

7.2 Risk management shall be an integral part of the annual business planning process and shall be explicit within service plans.

7.3 Strategic Risk Identification

7.3.1 A strategic risk identification workshop shall be undertaken on an annual basis by SLT. This exercise shall be organised and facilitated by the Business Manager - Human Resources and Training. The purpose of this workshop is to:

a) Ensure that the current strategic register remains effective.
b) Identify new strategic risks facing the Council, and
c) Ensure the register only contains current/relevant risks.

7.3.2 Strategic risks identified in the interim period between annual strategic risk reviews shall initially be presented at SLT for consideration, by the relevant risk owner.

7.3.3 New or future strategic risks identified should be forwarded to SLT and where appropriate, the Risk Management Group, for discussion and agreement before inclusion within the corporate risk profile.

7.4 Operational Risk Identification

7.4.1 Business Managers shall consider the significant operational risks that may affect their business units. Special consideration shall also be given to significant projects/contracts and all partnerships.

7.4.2 Business Managers shall ensure that new foreseeable and significant operational risks are identified and suitably developed as and when they arise. Great care should be taken in determining risks for inclusion. Only relevant and current risks should remain active.

7.5 Project Risk Identification

7.5.1 Project leads shall ensure that project risks are identified throughout the project life. This should include:

- At the project conceptual/development stage so that significant risks can be included within any PID submission or business case.
- Once the project is agreed and prior to commencement, and
- At significant points/changes/failures within the project life.

7.6 Risk owners shall ensure that each risk identified has:

- A current risk score and a target risk score.
- A suitable description of the risk.
- A determination of the management status i.e. controlled, over controlled, control pending, under controlled.

8.0 DETERMINING, DEVELOPING AND IMPLEMENTING ACTIONS

8.1 Prioritisation of risks will be determined using the agreed risk management risk matrix. Agreed risk tolerances can be found within the risk management guidance document.

8.2 All risks shall be suitably developed to identify both current controls in place to mitigate the risk and future actions required to reduce the level of risk to acceptable risk.

8.3 All risks shall have a target risk level assigned. Target risks level for strategic risks shall be determined by SLT. Owners of other risk types shall be responsible for setting their own target risk.

Target risks should be realistic and achievable. When determining target risks, risk owners shall consider to what degree mitigation measures can influence either likelihood or severity and score accordingly.

8.4 The Council's agreed risk appetite statement shall be utilised in determining and prioritising a suitable response.

9.0 CONTROLLING RISK

9.1 Risk owners shall ensure all identified mitigating controls are appropriate to allow the target risk to be achieved.

9.2 All relevant current controls should be listed within the risk assessment. Risk owners shall consider these and determine if they are appropriate to suitably control/mitigate the risks to a tolerable level. If not the risk owner shall ensure further actions are developed.

9.3 It is essential that risk owners ensure that all risks are controlled in accordance with the Council's appetite for risk.

9.4 Risk owners are responsible for ensuring that action plans are developed and managed. It is essential that actions are "SMART" and that ownership is assigned.

9.5 In consideration of the risk analysis, profiling and prioritisation, the most favourable course of action will then be determined. The options for action with risk will include **TRANSFER, TREAT, TERMINATE or TOLERATE.**

9.6 Risk owners shall evaluate the suitability of controls and actions during every review.

10.0 MONITORING, REPORTING AND REVIEW

10.1 Key risk indicators shall be stated within the risk profile section along with mitigating controls, key target dates and review deadlines. Progress in managing risks shall be monitored by the risk owner in accordance with the action plans and recorded so that losses are minimised and intended actions are achieved. Reporting upwards on all risks in the risk profile (not just on those being controlled or treated) will be essential.

10.2 All strategic and operational risks shall be recorded and maintained.

10.3 Risk owners are required to ensure that all risks remain relevant and that scores identified within this system are evaluated at least every 3 months.

10.4 **Monitoring and reporting arrangements:**

10.4.1 **Strategic risks:**

a) Reviewed at least every 3 months by the risk owner.
b) Considered by SLT on an annual basis or sooner should those risks change in significance and likelihood in the interim period.
c) Red risks shall be reported to SLT monthly.
d) All new/emerging strategic risks shall be reported to SLT.
e) Failing risk and/or actions shall be reported to SLT on a quarterly basis.
f) Annual assurance report to Audit and Accounts Committee.

10.4.2 **Operational risks:**

a) Reviewed at least every 3 months by the risk owner.
b) Red operational risks shall be reported to SLT quarterly.
c) Failing operational risks shall be reported to SLT quarterly.

10.4.3 **Project risks:**

a) Reviewed at least every 3 months by the project lead.
b) Red risks shall be reported to project board quarterly.
c) Failing risks shall be reported to project board quarterly.
d) Failing risks shall be notified to SLT at least quarterly.

10.5 The Transformation Business Unit are responsible for ensuring that SLT are provided with suitable assurance regarding risk performance. They shall provide:

a) Quarterly assurance reports to SLT identifying the above.
b) Monthly reports of red risks and failing risks.

11.0 <u>A CONTINUING CULTURE</u>

11.1 Risk management is dynamic, the nature and potential of risks will change and the identification and analysis of risk needs to be done continuously. To this end, the Council will ensure an effective, well-resourced and representative Risk Management Group that will be tasked to drive the strategy across all business units in the Council.

11.2 Equally important in developing and maintaining a risk management culture shall be the need for appropriate expertise and awareness within the Council. To this end, adequate foundation and refresher training will be provided as necessary for Members and officers.

11.3 Risk identification, management and planning shall be an essential component prior to the commencement of all significant organisational change, new service provision or projects. The management and review of risks shall be explicit in the delivery of the change, service provision and/or project.

Safety and Risk Manager
January 2022

AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

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.

2.2 The report contains details of the work completed to February 2022 referencing that 73% of the audit plan had been completed to that point.

2.3 This cycle had two high assurance reports, three substantial, five grant certification reports and one consultancy report. There are currently a number of pieces of work which are still in progress and some have been completed since the time of compiling this report. This will be updated in the meeting.

2.4 The report also contains details of outstanding recommendations of which there is one which will need Audit and Accounts Committee approval to extend, as this action has already been extended by the Director. Details are in the appendix on page 19 (appendix 3 of the document).

3.0 Proposals

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

4.0 Equalities Implications

4.1 None

5.0 Community Plan- alignment to objectives

5.1 The Internal Audit Plan underpins the delivery of the Community Plan. Through assurance gained from Internal Audit, Council can be satisfied that internal processes are working in a controlled manner, achieving the aims and objectives set out within the Community Plan.

6.0 Financial Implications (FIN20-21/5170)

6.1 Financial implications that arise within each of the individual audits will be highlighted during the review and brought to Members attention within the recommendations and management actions.

7.0 RECOMMENDATION(S)

7.1 **That the Committee consider and comment upon the latest internal audit progress report.**

Background Papers

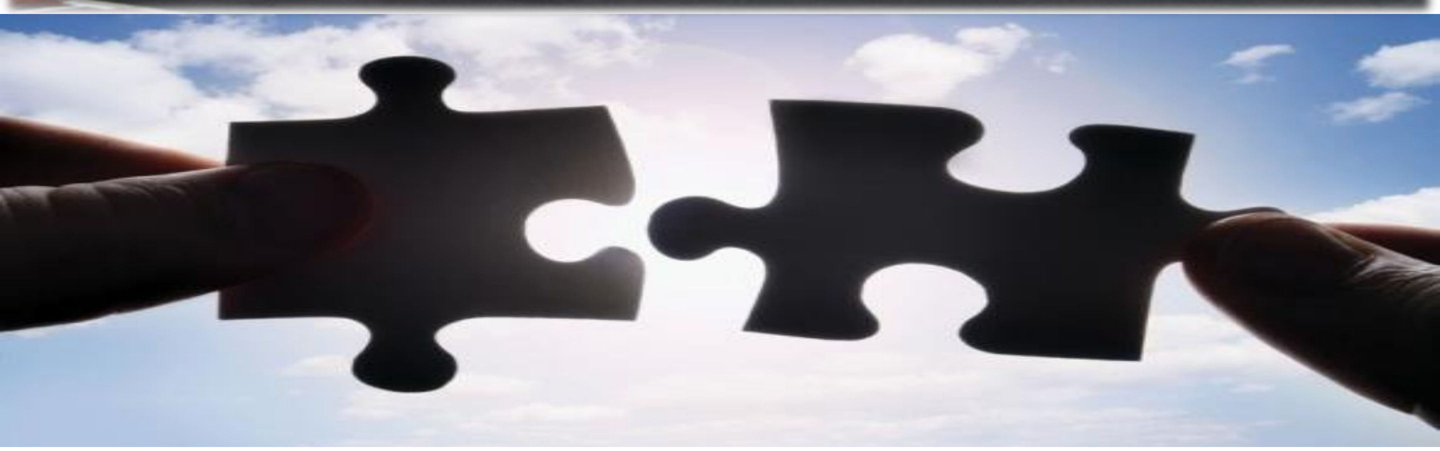
Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit

Progress Report



Newark and Sherwood District Council – March 2022

Assurance LINCOLNSHIRE

For all your assurance needs

NEWARK & SHERWOOD DISTRICT COUNCIL

Contents

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Introduction & Key Messages

The purpose of this report is to:

- Provide details of the audit work during the period October 2021 to February 2022
- Advise on progress of the 2021/22 plan
- Raise any other matters that may be relevant to the Audit Committee role

Key messages

Our audit delivery performance for the 2021/22 plan has increased from 41.3% to 73%. Since our last progress report in December 2021, we have issued five assurance reports, five grant certification reports and one consultancy report.

2 HIGH ASSURANCE

3 SUBSTANTIAL ASSURANCE

0 LIMITED ASSURANCE

0 LOW ASSURANCE

1 CONSULTANCY

5 GRANT CERTIFICATION REPORTS

Internal Audit work completed – Assurance work

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

- Covid Related Impacts – High assurance
- Housing Benefits and Council Tax Support – High assurance
- Grounds Maintenance – Substantial assurance
- Climate Change Emergency – Substantial assurance
- Policies and Procedures – Substantial assurance

Internal Audit work completed – Consultancy work

- Section 106 (Developer Contributions)

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)
- Internal Audit grant Certification of a Culture Recovery Fund (CRF2)
- Internal Audit grant Certification of a Culture Recovery Fund (CRF3)
- Internal Audit grant Certification of a Flood Grant (phase 1 – 2020/21)
- Internal Audit grant certification of the Test and Trace Support Payments

Internal Audit Work in Progress

We currently have thirteen assurance audits and two grant certification audits in progress.

Assurance work in progress

- Landlord Compliance
- Community Lottery
- Careline Services
- Follow-ups
- Health and Safety
- Key Control Testing
- Value for Money

- Customer Services
- Contract Management (General)
- Project Strategy
- ICT - Physical and Environmental Security
- Social Housing White Paper
- Cloud Hosted Services

Consultancy work in progress

- London Road Car Park

Grant certification work in progress

- Flood grants (Phase 2)

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 report to the Committee in December 2021, there have been the following changes:-

- Culture Recovery Fund Grant – added to the plan
- Governance Review (Arkwood and Active4Today) – deferred until January/February 2023 to allow the new governance structure to embed.
- Newark Civil War Museum and Palace Theatre – deferred until June 2022 to allow management to undertake enabling work.
- Selima HR/Payroll system – removed from the plan as the system has been replaced by iTrent HR and Payroll system. We have included in the 2022/23 plan a review of the replacement system.
- Strategic Asset Management – removed from the plan as requested by management due to capacity. This review will be completed during 2022/23.

Implementation of agreed actions

There are five actions which are due and currently being implemented. One of these actions is overdue and substantial progress is being made to implement a new system which will help to address the issues identified (see Appendix 3 for details).

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.**

Overview of Assurances

High Assurance

Covid Related Impacts

Overall, we can provide a high level of assurance around the effectiveness of the Council's response to the Covid-19 pandemic and the processes and systems in place. Alternative procedures/plans, where required, are effective, with clear evidence of consideration being given to the impact of the pandemic on the future provision of services and the finances of the Council.

Membership of the Local Resilience Forum (LRF) and regular attendance/contribution to its Covid-19 Strategic and Tactical Co-ordinating Groups and operational cells, has ensured that the Council has been part of a co-ordinated, consistent approach to the pandemic.
Attendance by senior members/officers at other strategic groups across the County/District and regular liaison with key partners, relevant government departments etc has ensured issues have been discussed and good practice shared.

Formation of specific groups such as the Covid Response and Recovery Groups and addition of meetings such as the Senior Leadership Team (SLT) 'gold' meetings has ensured that the impact of Covid-19 on Council services has been regularly discussed/addressed throughout the pandemic.
Members have been kept fully and regularly updated on the Council's response to the pandemic with reports clearly detailing how service areas have had to adapt, new services being delivered and the impact on resources.

Government Covid-19 legislation, guidance and information has been disseminated timely to members, staff, the public etc and addressed appropriately by service areas to ensure compliance. Changes to existing processes have been suitably approved, new ways of working adopted and segregation of duties ensured. Minor variations to the Council's Constitution have been correctly made in line with delegated powers and urgent decisions taken appropriately in line with revised delegated authority.
Additional Covid-19 guidance notes, protocols and checklists have been created to help staff, businesses and the general public understand their roles and responsibilities.

Systems/processes have been appropriately assessed to ensure those of highest risk or critical have been prioritised and continued to be delivered.
Guidance provided by key agencies as to where resources should be focused, have been adhered to.

High Assurance

Covid Related Impacts (continued)	Increases in workload have been effectively managed and 'backlogs' addressed, with resources/capacity reviewed to ensure sufficient A Corporate Covid-19 Risk Assessment has been produced, providing clear and detailed guidance on control measures required to alleviate risks associated with Council activities. This assessment, regularly reviewed, is fully supported by the Covid-19 Safe System of Work Assessments. We found that these had been correctly carried out, appropriately approved, and provided clear guidance to ensure a safe method of work. The creation of the Council's '5 Strands of Recovery', each with a clear remit and lead officer, is evidence of the Council's commitment to recovery from the pandemic. A formal Council Recovery Group has been established to assess how the Council delivers its services in future and an economic recovery impact assessment commissioned to assist the Council in developing reopening action plans. Key plans and strategies, such as the Community Plan and Economic Growth Strategy, have been reviewed and updated to reflect changes in the Council's priorities. The Medium-Term Financial Plan (MTFP) has also been updated to reflect changes in income and expenditure due to Covid-19. Detailed and regular budget/financial monitoring has taken place to identify the impact of the pandemic on individual service areas and the Council as a whole. Covid-19 grants/funding have been appropriately claimed and allocated, minimising the financial impact of the pandemic on service area budgets, with detailed records retained to substantiate/justify claims made. Members/key officers have been kept fully informed of the financial implications of Covid-19 throughout the pandemic. Financial outturn reports, supported by detailed narrative reports, regularly presented to Policy and Finance Committee, are now shared with other Committees/operational groups to ensure all have a full knowledge and understanding of the financial impact of the pandemic.

High Assurance

Housing Benefits and Council Tax Support	Our review found there are robust arrangements in place that ensure the Council's Housing Benefit and Council Tax Reduction Scheme is well administered and appropriate measures are in place to ensure the financial resource is safeguarded to support eligible claimants. The rent rebates, rent allowances and Discretionary Housing Payments had been made to eligible claimants who had been correctly assessed in accordance with the current legislation and guidance. We are therefore been able to give a High assurance opinion. There is sufficient capacity within the Team to manage the day-to-day workload and this will strengthen once the current Covid Test & Trace payments scheme finishes in March 2022. Arrangements are in place where circulars notifying key changes affecting the administration of Housing Benefits are received and the team is briefed trained where necessary to ensure they are correctly applied to ensure compliance and minimise errors. Overpayments are regularly reviewed by the Housing Benefit Officers and they are recovered through an agreed deduction of ongoing benefits or via sundry debtors. Effective management checks are carried out on the claimants to confirm claimant's continued eligibility for the claim and any adjustments made to the claim were fully supported by appropriate evidence e.g. application form and confirmation of changes in circumstance.

Substantial Assurance

Grounds Maintenance

Overall, we can provide a substantial level of assurance around the effectiveness and efficiency of the grounds maintenance service delivered by the Environmental Services Team. We can confirm that the grounds maintenance section of Street Scene is managed in a structured manner and the controls in place are consistently applied.

To support our assurance level, our review specifically found that: -

- An effective resource model exists such that resources (the workforce) are managed and deployed effectively by Supervisors through the use of Round Sheets. Specifications are outlined within the Round Sheets distributed to staff to set out the work to be completed over a 10-day cycle.
- A robust incremental budgeting process is in place. The Collaborative Planning (CP) module on the eFinancials system is currently being trialled by Business Managers for use in the 2022/23 budget. The Finance Accountant informs us that this process should be more efficient, provide real time budgetary information, and eradicate the risk of spreadsheet errors.
- The grounds maintenance service provision is supported by an internal Service Level Agreement (SLA) between Housing, Health and Wellbeing directorate and the Environmental Services Team. The SLA sets out the full grounds maintenance specification for each grounds maintenance service that Street Scene provides and we confirmed that these are aligned to the two main Community Plan objectives of the Council.
- Key Performance Indicators (KPIs) are in place to measure the performance of the grounds maintenance service for both housing and non-housing customers. Performance is measured each month through the completion of 60 inspections (30 inspections for housing customers, 30 for non-housing customers). The Grounds Maintenance Performance Monitoring Group meets on a quarterly basis to discuss the performance of the grounds maintenance service.
- Lessons learned analysis is completed by the Street Scene Manager on grounds maintenance complaints. Complaints recorded within the Meritec Enterprise Service Builder (ESB) system where the team have underperformed are bookmarked and discussed on a quarterly basis with the wider Street Scene Team. This helps the team to identify areas of improvement and subsequently increase the quality of the service provision.

Overview of Assurances

Substantial Assurance

Grounds Maintenance	We have identified three areas where the design of the control framework can be improved to help further improve the efficiency and the effectiveness of the grounds maintenance service as follows: **Contingency plans:** These need to be formally documented to ensure staff are clearly aware of the arrangements that are in place to deal with staff absences which may disrupt the service provided to customers. **Use of ESB System:** The ESB system is not fully utilised to deal with grounds maintenance related complaints. This is because grounds maintenance staff do not have access to handheld devices, hence remedial action can only be communicated to staff via a phone call or in person. This process increases the likelihood that a compliant is either missed or not remediated in a timely manner. A cost-benefit analysis should be completed to determine whether additional investment in improving the efficiency of the complaints handling process would yield value for money. **Training:** There is the lack of formal Supervisor training. A large amount of reliance is placed on the two Supervisors to ensure the delivery of Street Scene customer specifications. As such it is important that they have effective skills to manage and fully utilise the workforce. We note that the Street Scene Manager is currently in the process of pulling together training materials for the Supervisors. The training material planned at this stage is around behaviours and people skills, including the importance of being organised and how to best manage a team. **Service growth:** There are opportunities available to grow the service with existing customers using the existing capacity. Adequate staffing is currently in place relative to the scale of the current scale of grounds maintenance activities. However, having conducted interviews with the Director of Communities and Environment, the Street Scene Manager and three grounds maintenance team members, it's clear that additional investment to increase the establishment would be required should the grounds maintenance service wish to substantially increase the revenue generated. In summary, a balance needs to be struck between the additional revenue that would be generated through the commercialisation of the grounds maintenance service, versus the additional funding required and the loss of flexibility to be able to deliver NSDC related projects, such as the ongoing Target Hardening Project.

Substantial Assurance

Climate Change Emergency	Our review of strategies and plans the council has in place for the delivery of carbon reduction and achievement of carbon neutral by 2035 has provided substantial assurance. The plans are realistic, adequately resourced and the progress made to date to implement the identified action plans has given us assurance that the Council is on track to delivering its carbon reduction targets. Overall, the programme is well managed and work is underway to developing several identified activities within the programme to enable achievement of the objectives. There is a comprehensive strategy in place which provides a framework and roadmap for the reduction of carbon emissions across Council's operations. The Council has established a Carbon Reduction Action Plan 'Greening Newark and Sherwood' which outlines the identified carbon emissions mitigating actions and increases governance and oversight arrangements in collaboration with The Carbon Trust. Our review found that the aims of the strategy and associated Action Plan are aligned with the Council's Community Plan objective which aims at enhancing and protecting the district's natural environment. Oversight of the strategy and the Action Plan lies with the Policy and Finance committee and updates are provided to the Committee annually. Regular updates are also provided to the Leisure and Environment Committee where the projects, the initiatives and progress against the Action Plan is discussed and considered in detail. Despite a delay in finalisation of the National Government Tree Strategy guidance, the Council has taken encouraging steps to move the Tree Planting and Urban Greening project forward. The sites where the Council plans to plant 10,000 trees have been identified and good progress continues to be made in the planting the identified target number of trees by 2023.

Overview of Assurances

Substantial Assurance

Policies and Procedures

Our review of the work undertaken by the Council to integrate the Housing Management Policies and Procedures brought forward from Newark and Sherwood Homes Ltd has given us Substantial assurance that: -

- The quality of the policies and procedures which the Council has adopted from Newark and Sherwood Homes Ltd are good and fit for purpose and are designed to support continued service delivery.
- Sufficient arrangements were put in place to ensure that the policies and procedures were reviewed and only relevant documents which had been considered to be essential to support housing management service delivery were adopted.
- The integration work undertaken ensured that policy duplications are minimised and that key and relevant policies and procedures are accessible to staff for use.
- Key stakeholders including the Council's Transformation team worked closely with staff within the Housing, Health and Wellbeing directorate in the review and the integration processes to ensure they were aligned with the Council's corporate policies.

We have identified one area where improvement is necessary to ensure the policies and procedures are updated and staff are using most up-to-date documents which incorporate current changes in legislation and operating practices.

Consultancy Review

Section 106 (Developer Contributions)

Our review has not identified any misspending of S106 monies within the cases reviewed. There are strict guidelines covering the spending and records are held to support this spending. However, there were some weaknesses identified in the processes which were in place at the time of the review and changes have been made to improve the process and strengthen the controls.

Process

The processes in place for updating and releasing the spreadsheet detailing the S106 monies, collected, committed and spent requires improvements to ensure that the correct version is released.
We have recommended version control and annotations for the reader so they can see where further information is being sought or clarified. We have also recommended that the provision of financial information is only made by Financial Services in consultation with Planning Policy to ensure the accuracy of the shared data.
We have also recommended that the S106 process is documented, and that awareness training is provided for the Councillors, staff and other interested parties e.g. Parish Councils.

Affordable Housing

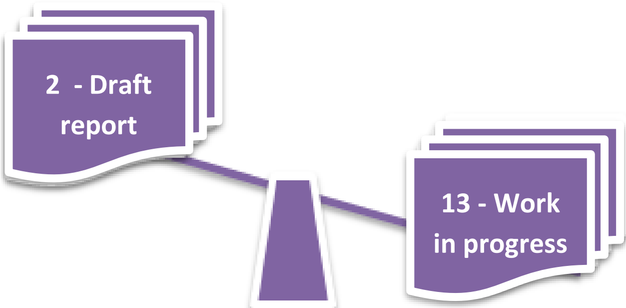
The S106 monies allocated to affordable housing from the two cases had been processed in accordance with the original agreements and followed the correct approval process. However, the papers provided to Committee were not detailed enough to identify the specific S106 agreements.
We have recommended that future Committee reports are more explicit detailing the relevant S106 agreements.

Community Facilities and Open Space

Monies collected for the maintenance of community facilities and open spaces for the agreement reviewed is being spent in accordance with the agreement, for maintaining the sites and equipment.

To ensure clarity, we have recommended that the s106 monies are not amalgamated together on the spreadsheet to enable maintenance of a complete trail.

Detailed Work in Progress



Audits reports at draft

We have 2 audit at draft report stage:

- Compliance Services (Landlord) – Draft Report
- Community Lottery – Draft Report

Work in Progress

We have the following audits in progress:-

- Careline Services – drafting a report
- Health and Safety – drafting a report
- London Road Car Park – drafting a report
- Contract Management (General) – drafting a report
- Flood grants (Phase 2 - 2021/22) Fieldwork
- Value for Money – Fieldwork
- Customer Services – Fieldwork
- Project Strategy - Fieldwork
- ICT - Physical and Environmental Security - Fieldwork
- Social Housing White Paper – Planning
- Cloud Hosted Services - Fieldwork
- Key Control Testing - Fieldwork
- Follow-ups – Fieldwork

Other significant work

We have now completed the Combined Assurance work. Critical activities, key risks, key partnerships and key projects have been identified and assessed through our risk scoring process and rated Red, Amber or Green (RAG). This enables a clear visual map of assurances across the Council to be created. The outcome of this has been reported to Senior Management for presentation to this committee.

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 Appendix 2 presents the changes made.

Benchmarking

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

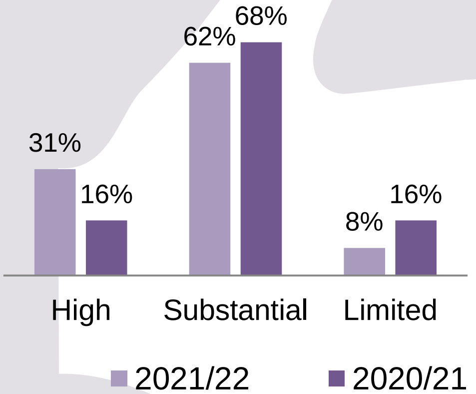
Performance on Key Indicators

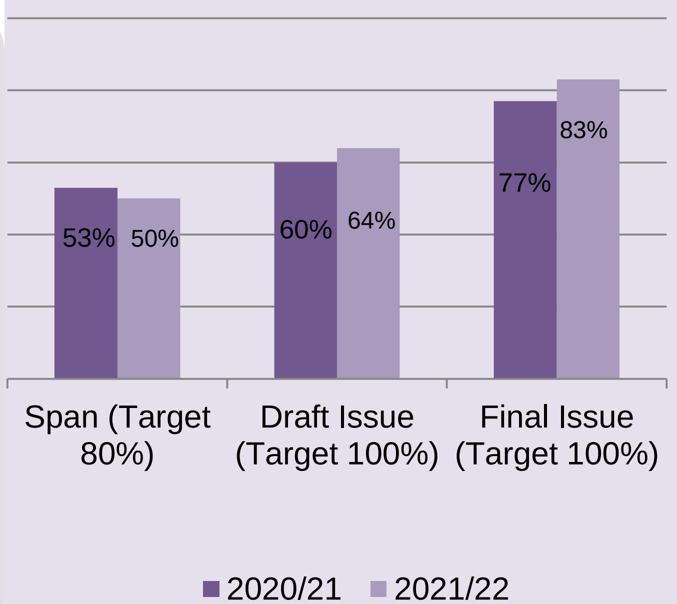
“Excellent” feedback

(67% response rate)

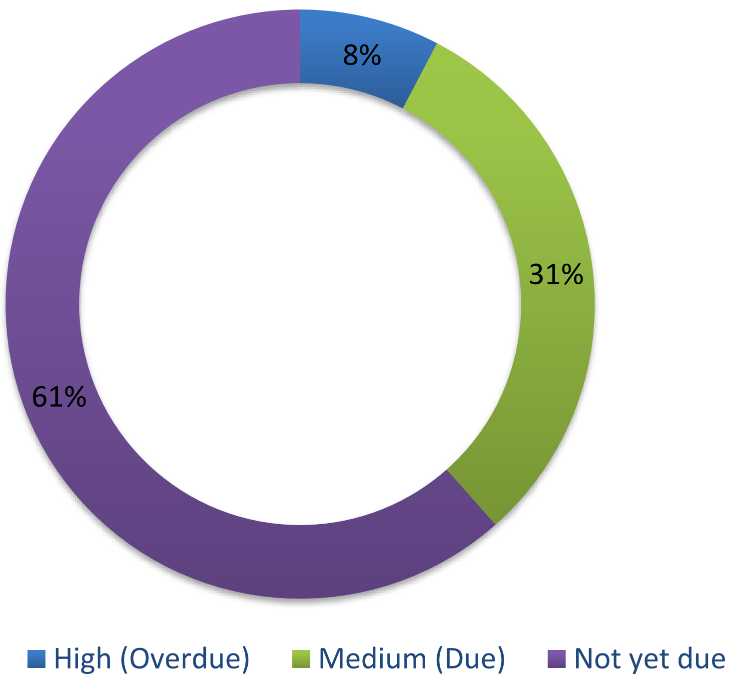
Plan completed 73%

Comparison of Audit Assurances





All Actions remaining to be implemented



Other matters of interest

A summary of matters that will be of particular interest to Audit committee members

National Audit Office

NAO Cyber and information security: Good practice guide Oct 2021

[Cyber and information security (nao.org.uk)](https://www.nao.org.uk)

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The full document can be provided on request.

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 February 2022

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, CRF2 and CRF3)	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
London Road Car Park	To undertake a review of the decision-making process for the initial sale of the Municipal Buildings and subsequent lease back of the land between the municipal building and the library on London Road to ensure that it complied with the Council's processes as set out in its constitution and with the requirements for local authority decision-making.	Added to the plan
Governance Review (Arkwood and Active 4 Today)	Current volume of work with the governance review, but also because elements of the governance arrangements are included in the governance review, eg the remit of the Shareholders Committee. It would be helpful to postpone an audit until after the new arrangements are finalised	Deferred until January 2023
Newark Civil War Museum and Palace Theatre	Completion of the work is dependent on Heritage and Culture and Financial Services business units completing enabling work to segregate the two cost centres.	Deferred until June 2022
Strategic Asset Management	As a team we are rather stretched at this time of year, I have one audit on already and there is a need to produce an Asset Management Strategy which would form the core of the audit focus. Management request to defer the audit until Quarter 2 in 2022/23.	Deferred until September 2022.
Selima HR/Payroll system	The system has been replaced with iTrent system and review of the replacement system is included in the 2022/23 plan.	Removed from the plan

Amendments to Internal Audit Plan as at February 2022

Audit	Rational	Change
Covid Related Impacts	There was limited capacity within the Council to enable the audit to be progressed as resources were prioritized to provide a response to the Covid 19 pandemic. Management requested the review to be deferred until 2021/22.	Brought forward from 2020/21 plan
Housing Options	Management had requested this review to be undertaken in quarter 4 of 2019/20 and delivery was impacted by the Covid 19 pandemic as resources were allocated to Covid recovery.	Brought forward from 2019/20 plan
Debt Management	Audit work had started in Late March 2021 and most of the review substantially progressed during 2021/22.	Brought forward from 2020/21 plan

Appendix 3 Details of overdue actions

Audit	Priority	Agreed Action	Owner	Original Due Date	Revised date (director approved)	Audit & Accounts Committee approved extension
NSH 2019/20-05 - Gas Servicing	High	Points 1 to 5 below agreed to be actioned	Business Manager, Caroline Wagstaff	30/06/2021	31/03/2022	31/09/2022

Recommendations

1. A review is carried out to assess why the Keystone Asset Management system has not been upgraded and the suitability of the current version. Action is taken to identify whether upgrades are included in the cost of the software or service agreement, whether a business case was raised and refused and if so why? Where a decision is made to continue using the system, consideration is given to upgrade the package to the most up-to-date version which is fully supported by the system developers.

2. Software upgrades are applied wherever possible in accordance with any inclusion within contracts or service agreements. If they are not included within these then the implications of not upgrading (risks) and the benefits of upgrading are weighed against the costs and presented to management for decision.

3. The identified Keystone malfunctions are reported to the system supplier as critical issues affecting business operations for an urgent resolution.

4. An automated system interface between the Keystone Asset Management and Capita Housing Management systems is explored. This will help to reduce the level of human intervention and potential human processing errors. If the Company decides to use an alternative system, an automated interface is explored.

5. All new users of the system are given sufficient training and support on the use of the systems wherever possible using a test data platform before operating the live system.

Progress update and extensions

Management made a decision to replace Keystone with an alternative software solution to effectively manage the business activity as Keystone was not fit for purpose.

Management responses: -

- June 2021 – Awaiting approval from SLT on purchase of new contractor portal and software for compliance data and reporting.
- July 2021 – More than 50% progress has been made. Director of Housing, Health and Well-being approved extension up to 31 March 2022.
- October 2021 – Apex solution for new asset and compliance database has been approved and contract signed. Implementation phase to begin shortly after first meeting with Apex on 21 October 2021.
- February 2022 – Implementation for the new Apex Systems software for assets and compliance has begun. The core asset data has been transferred from Keystone to Apex successfully. There is a planned programme for implementation and training on a full suite of modules (six) with gas servicing module due in April/May 2022 as part of phase 2. Implementation of all modules is likely to be fully completed by 30 September 2022.

2021/22 Audit Plan to date

Audit	Scope of work	Planned start date	Progress	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	Fieldwork	
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	Completed	High Assurance
Value for Money	To provide assurance that the Council takes all reasonable steps to achieve Value for Money in the delivery of its services.	QRT4	Fieldwork	
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 2	Completed	High Assurance
Company Governance (Arkwood and Active4Today)	Review of the governance arrangements in place ensuring that there is sufficient oversight and risk management processes in place.	N/a	Deferred until Jan 2023.	N/a
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	QRT3	Draft Report issued	Substantial Assurance (indicative)
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.	QRT4	Fieldwork	
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.	N/a	Removed – system replaced by iTrent HR/Payroll system	N/A

Appendix 4 2021-22 Audit Plan to date

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 4	Fieldwork	
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 4	Delayed start – requiring management to complete enabling works. Deferred to 2022/23	N/a
Grounds Maintenance and Cleansing Service	To provide assurance over the revised arrangements in place ensuring that issues previously identified have been addressed.	QRT 3	Completed	Substantial assurance
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.	N/A	Fieldwork	Deferred until QRT1 2022/23
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 3	Completed	Substantial assurance
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 4	Fieldwork	
Contract Management - General	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. The risks around contracts including supply chain failure, modern slavery, data sharing etc are identified and actions taken to mitigate the identified risks.	QRT 4	Drafting a report	

Appendix 4 2021-22 Audit Plan to date

Audit	Scope of work	Planned start Date	Actual start date	Progress status
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	Drafting a report	
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 3	Draft Report issued	Limited assurance (indicative)
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	Drafting a report	
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 2	Completed Consultancy type review as per the management request	N/a
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 4	Fieldwork	

Appendix 4 2021-22 Audit Plan to date

Audit	Scope of work	Planned start Date	Actual start date	Progress status
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 4	Planning	
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 2	Completed	Substantial assurance
Follow-ups (2021/22)	Follow-up of recommendations made for the progress reports and on a sample basis.	QRTs 2, 3 and 4	Fieldwork	
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium accounts	QRT 1 Apr 2021	Completed	N/a
Combined Assurance	Updating the Assurance Map and completing the Combined Assurance report.	QRT 3 & 4	Completed	N/a
Gilstrap	Independent examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.	QRT 2 Aug 2021	Completed	N/a
Test and Trace Support Payment grants	Grant certification work to ensure the grant monies have been spent appropriately.	QRT 3 & 4	Completed	N/a
Culture Recovery Fund Grant (CRF1, CRF2 & CRF3)	Grant certification work to ensure the grant monies have been spent appropriately.	QRT2	Completed	N/a
Covid related Impacts	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.	QRT 3	Completed	High assurance

2021-22 Audit Plan to date

Audit	Scope of work	Planned start Date	Actual start date	Progress status
Housing Options	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.	QRT 2	Completed	Substantial assurance
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)	QRT 2, 3 and 4	Completed (first part) Work scheduled for part 2	N/a
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	QRT 1 & 2	Completed	Substantial assurance
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	QRT 1 & 2	Completed	Substantial assurance
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.	QRT 2	Completed	High assurance

2021-22 Audit Plan to date

Audit	Scope of work	Planned start Date	Actual start date	Progress status
London Road Car Park	To undertake a review of the decision-making process for the initial sale of the Municipal Buildings and subsequent lease back of the land between the municipal building and the library on London Road to ensure that it complied with the Council's processes as set out in its constitution and with the requirements for local authority decision-making.	QRT 4	Drafting report	N/a

AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

COMBINED ASSURANCE REPORT

1.0 Purpose of Report

1.1 To receive and comment upon the Combined Assurance Report for the 2021/22 financial year.

2.0 Background Information

2.1 The Combined Assurance Report has been produced by Internal Audit working with Business Managers and the Senior Leadership Team. It demonstrates the level of assurance the Council has in its activities at a set point in time, and identifies any gaps. This is then used to inform the annual Internal Audit Plan for the next financial year. The report is attached at Appendix A.

3.0 RECOMMENDATION that:-

(a) the Audit & Accounts Committee consider and comment upon the report.

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Combined Assurance Status Report 2021/22

Newark and Sherwood District Council
March 2022

Assurance LINCOLNSHIRE
For all your assurance needs

NEWARK & SHERWOOD DISTRICT COUNCIL

Contents

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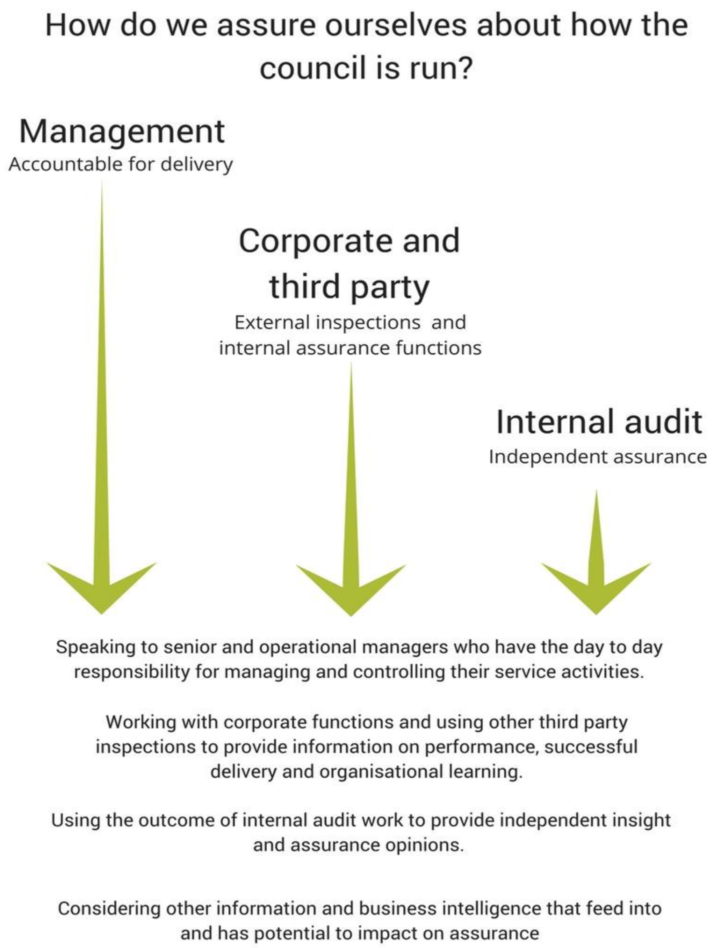
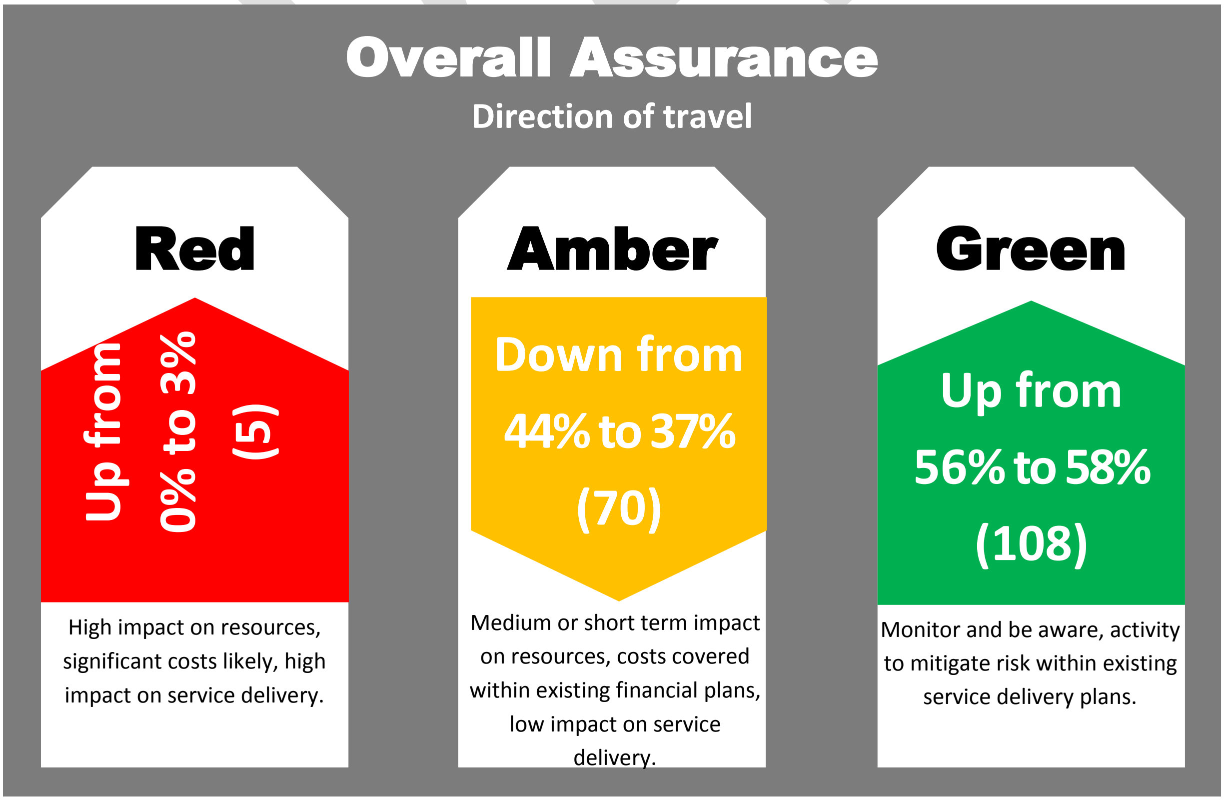
Overview of Assurance

Combined assurance is a structured means of identifying and mapping the main sources and types of assurance in the council and coordinating them to best effect.

It enhances risk management by providing an effective and efficient framework of sufficient, regular and reliable evidence of assurance on organisational stewardship and management of major risks to the Council's success.

We do this using the 3 lines of defence model.





Note: 2% of the activity is unknown. These relate to four emerging issues covered within Housing, Health & Wellbeing and Customer Services & Organisational Development directorates.

Chief Executive's Summary

It goes without saying that the past couple of years have been incredibly challenging.

At times, the energy and resources that we've applied to COVID has felt all consuming, yet we've continued to maintain or improve the standard of the vast majority of our front-line services.

In addition, and building on our experience of resettling Syrian families, we've stepped up to the challenge of accommodating families from Afghanistan and are currently preparing to support families from Ukraine.

Juggling such unplanned events alongside our day-to-day responsibilities and an ambitious Community Plan is not always straightforward and carries risk. We want to retain our ambition for our local community but at the same time recognise the danger of overstretching ourselves and the importance of good governance.

We therefore need to continue to strengthen levels of assurance throughout the organisation and, in particular, where the need to do so is greatest. The forthcoming changes to our governance arrangements will bolster the current Audit and Accounts Committee which will further assist with the management of the key risks identified.

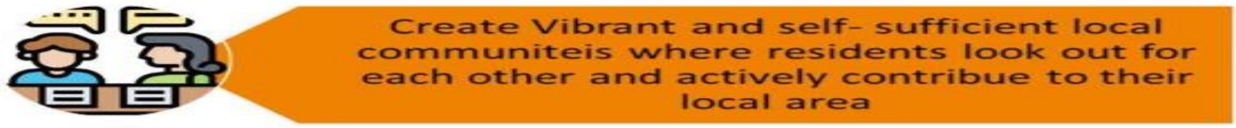
This being said, I am satisfied that we are not only aware of our key risks but have measures in place to mitigate and manage these.

Link to Community Plan Objectives

The Council updated their Community Plan in February 2019. As part of the assurance process the activities and projects have been mapped against each of the 7 Objective for 2020 – 2023 set out below.

The Council has been undertaking significant development work around the Performance Management to ensure key and meaningful performance indicators are measured, monitored and where necessary improvement action put in place to address areas where the performance is not achieving the desired outcomes.

Currently, the progress on the Performance Indicators is reported to four operational Committees and with effect from June 2022, these will be reported to the Policy and Performance Improvement Committee and the Cabinet via the Leader's Portfolio under the new governance model. Detailed below are our Community Plan objectives and the identified performance indicators, which we are currently measuring and monitoring. We continue to refresh and identify any additional performance indicators which are relevant and meaningful to support achievement of the set objectives.



Success measures
% of residents who felt belong to their immediate neighbourhood
% of funding allocated to local causes
% of residents attending a digital skills course who now feel more confident in using our services online

Success measures
Number of council owned commercial units currently let.
Number of businesses supported through advice, mentoring or financial help.
Monitoring of unemployment rates and number of supported persons finding employment Monitoring annual value of the district's visitor economy through independent national data.

Success measures
Number of homes delivered by the Council's development Company (Arkwood Development).
Number of dwellings completed through our role as a landlord, developer and planning authority.

Link to Community Plan Objectives

Continue to maintain the high standard of cleanliness and appearance of the local environment

Success measures
% of fly tipping incidents removed within 24 hours of reporting.
% of graffiti reports removed within 24 hours.
% of residents satisfied with the cleanliness of their local area.

Enhance and protect the district's natural environment

Success measures
% of our parks maintaining green flag status
% of residents satisfied with green spaces in the district

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

Success measures
Number of enforcement actions undertaken.
% reduction in level of all crime.
% of residents satisfied with their local area as a place to live.
% residents with improved feelings of safety.
% reduction in number of ASB incidents.

Improve the health and wellbeing of local residents

Success measures
Develop and provide opportunities for inactive people' to increase levels of physical activity and sport.
Number of residents provided and supported with general energy advice.
Number of private sector residents participating in the Council's fuel poverty alleviation schemes in the district.

Strategic Risks

Good risk management is part of the way we work. It is about taking the right risks when making decisions or where we need to encourage innovation in times of major change – balancing risk, quality, cost and affordability.

This put us in a stronger position to deliver our goals and provide excellent services.

Our Strategic Risk Register is regularly reviewed and our risks are being effectively managed.

Risk	Risk Rating	Level of Combined Assurance	Risk description and risk control position
SR101 Financial sustainability - General Fund	Amber	Amber	Ensuring financial sustainability of the general fund to allow the council to undertake its core functions, deliver services, meet its corporate priorities and objectives. Controls are in place and are suitably controlling the risk within the agreed risk tolerances. Further actions may be in place and these are not deemed to be substantial.
SR102 Financial sustainability - HRA	Amber	Amber	Financial sustainability of the HRA to ensure the council is able to provide, maintain and develop its housing stock. Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR103 Safeguarding	Amber	Amber	Maintaining corporate safeguarding arrangements to ensure suitable and appropriate management of the councils safeguarding duties. Controls are in place and are suitably controlling the risk within the agreed risk tolerances. Further actions may be in place and these are not deemed to be substantial.
SR104 Failure to deliver growth infrastructure	Red	Red	Facilitating the provision of local infrastructure to ensure growth within the district to meet agreed plans & corporate priorities. Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR105 Contract/supply failure	Amber	Amber	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. Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.

Strategic Risks

Risk	Risk Rating	Level of Combined Assurance	Risk description and risk control position
SR106 Workforce	Amber	Amber	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. Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR108 Emergency Response	Red	Amber	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. Controls are in place and are suitably controlling the risk within the agreed risk tolerances. Further actions may be in place and these are not deemed to be substantial.
SR109 Corporate Governance	Amber	Amber	Risk of failure in systems of governance within the council, council owned/influenced organisations and partnerships or other collaborative arrangements. Controls are in place and are suitably controlling the risk within the agreed risk tolerances. Further actions may be in place and these are not deemed to be substantial.
SR110 Data Management & Security	Red	Red	Deliberate or unintentional loss/disclosure of personal, sensitive, confidential, business critical information or breach of information governance legislation. Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR111 Arkwood Development Limited	Amber	Amber	Managing performance and the relationship between the Council and Arkwood Developments in accordance with the governance agreement. Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR113 Community issues (Pandemic)	Red	Amber	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 (new risk). Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing.

Strategic Risks

Risk	Risk Rating	Level of Combined Assurance	Risk description and risk control position
			Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR114 Environment	Red	Red	Ability to meet requirements of the government's green agenda and aspirations/expectations of the NSDC community in delivering a greener/carbon neutral service (new risk). Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.
SR115 Regulatory and statutory compliance management	Red	Amber	Implementation and maintenance of suitable statutory safety compliance management systems (new risk). Some controls are in place and additional controls/actions have been identified to reduce the current level of risk. Implementation of the additional controls/actions is ongoing. Once implemented in full, they will mitigate the risk to be within agreed risk tolerances.

Note:

- Strategic risks SR07 (Loss of community cohesion) – deleted risk and replaced by SR113.
- Strategic risk SR12 (Brexit) - Suspended until next formal review. The content has been incorporated within relevant strategic risks.

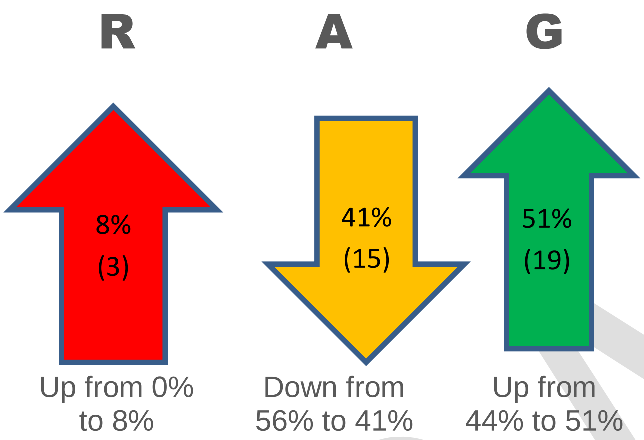
Key	Risk	Management
Red	High impact on resources, significant costs likely, high impact on service delivery	Low level of confidence over the design and operation of controls, performance or management of risk
Amber	Medium or short term impact on resources, cost covered within existing financial plans, low impact on service delivery	Medium level of confidence over the design and operation of controls, performance or management of risk
Green	Monitor and be aware, activity to mitigate the risk within existing service delivery plans / management arrangements	High level of confidence over the design and operation of controls, performance or management of risk

Director's Key Messages

Deputy Chief Executive and Resources

Business Units – Financial Services, Asset Management and Car Parks, Revenues and Benefits, ICT and Digital Services and Corporate Property, Delivery and Strategy.

Overall Assurance
Direction of travel



Critical activities
Red
ICT Applications
Amber
Corporate Counter Fraud (General)
Asset register and asset valuation
Treasury management
Capital programme
VAT
Strategic Asset Management (including Acquisition and disposal)
Corporate Property Project Delivery
ICT Operations
ICT Programmes and Projects

Key projects
Red
Storage Area Network (SAN) /Hosts Refresh
Amber
Procurement of HR/Payroll system
Website and digital services
Information Management Project (ICT)

Key risks
Red
SR110 Data Management & Security
Amber
SR101 Financial sustainability - General Fund
SR102 Financial sustainability - HRA
SR115 - Regulatory and statutory compliance management

A. Finance

The Council has agreed the budget for 2022/23 and the Medium-Term Financial Plan (MTFP) for the years 2022/23 to 2025/26. The further delay in reforms of Local Government Finance has been beneficial for the Council and has enabled reserves to be set aside for the outcome of the Fair Funding review and the business rates reset, now anticipated in 2023/24. Financial modelling provided by the Council's advisers PIXEL forecasts a reduction in funding in 2023/24 from the business rates reset of circa £2m; from £6.44m to £4.413m. This is clearly a significant reduction in funding, however the Council's finances are in a strong position to deal with the reduction.

The MTFP demonstrates how a combination of use of the MTFP reserve, efficiency savings, and additional income from the delivery of the commercialisation plan together with dividends from Arkwood Developments Limited will bridge the anticipated funding gap. It is however imperative that Business Units work collectively to realise the savings and additional income beginning in 2023/24 through to 2025/26. This position will be kept under review as part of the quarterly financial monitoring under the council's performance management framework.

Commercial Plan

The Commercial Strategy and the Commercial Plan (the Plan) have recently been agreed by

Director's Key Messages

Council. The Plan has been drawn up in conjunction with Business Managers of front line and support services. The Plan identifies areas of savings or income generation over the short (within existing resources), medium term (with additional resources) and over the long term (where feasibility and options will need to be considered and project plans developed. The activities need to generate additional income of £200K by 2024/25. The delivery of the activities in the Commercial Plan will be reviewed quarterly as part of the council's performance management framework.

Service Reviews and Business Process Reengineering

The MTFP includes £100K savings from service reviews and £200K from business process reengineering. The finance officers will need to work with the council's Transformation business unit and with the respective Business Managers to identify and implement plans to deliver these savings from 2023/24 to 2025/26. The delivery of the savings will be kept under review and reported on quarterly from 2023/24 as part of the council's performance management framework.

Arkwood Developments Limited

The MTFP includes a minimum estimate £1.5m of dividends from 2023/24 to 2025/26. It is not only important that the Council receives this level of dividend income from its wholly owned company but that it also seeks to maximise returns from the company via interest on loans and provision of services. The company will need a pipeline of sites to develop in order to deliver this level of minimum returns to the Council. Therefore, work needs to be undertaken to identify sites owned by the Council that could be sold to Arkwood at a fair value.

B. Corporate Property Strategy and Delivery

In 2021/22, the Asset Management and Car Parks Business Unit was further restructured and repurposed under our newly appointed Business Manager. The Business Unit's responsibilities have grown and developed significantly since 2020/21. The responsibilities of this Business Unit includes Asset Management and Car Parks, Estates Management, Repairs, Maintenance, Surveying and Facilities Management. The team also manage the Newark Beacon business centre and the redevelopment/ tenancies at the Buttermarket.

The HRA Housing delivery team also moved to this Business Unit in order to make the most of shared experience, knowledge and to provide resilience to both teams. The Business Manager, supported by the surveyors, works closely with the Economic Growth Business Unit on the Towns Fund Projects, including the redevelopment of the former Marks and Spencer building on Stodman Street that was purchased by the Council as a strategic site in 2020.

The Acquisitions and Disposals Policy has recently been approved by Council which provides an important framework for the acquisition and, more importantly, the disposal of land assets. This is of particular importance when deciding on land sale proposals with Arkwood Development Limited, where the test of best value is more complex than a one-off disposal to a third party.

The Business Manager is now developing an Asset Management Strategy which will include all of the different disciplines of Corporate Property and Strategy. This strategy will be the overarching document that will ensure that all of the Council's properties are managed efficiently; will make reference to condition surveys; set out the principles of identifying assets that are surplus to need or/and need repurposing. This will enable the identification of assets that could be disposed including those that could "exclusively" be disposed to Arkwood.

In support of the Council's Climate Change Strategy, Asset Management will ensure that all procurement and decisions about property embed energy management outcomes. The condition surveys will feed back into the Asset

Management Strategy and where appropriate will link into the Climate Change Strategy for use of renewable technology from suitable assets

Car Parks- Further improvements have been made to our car parks with the installation of a number of EV charge points. More charge points will be planned in line with the Carbon Management Plan.

Lorry Park- Further improvements have been made to the lorry park with new showers and controlled access. This has improved the facility to drivers resulting in an increase in fee income. With the demolition of the Livestock Market and the development of the Air and Space Institute, together with plans to dual the A46, options to relocate the Lorry Park will need to be considered further in 2022/23.

The data management system, Concerto has not yet been fully implemented. This should be fully operational in 2022/23.

C. ICT and Digital Services

The Digital Strategy and Plan was approved by Policy & Finance Committee on 24 June 2021 and progress on delivery of the actions underpinning the Strategy was reported to the Committee in January 2022.

A Digital Transformation Board (DTB), made up of key officers from across the Council has been established. The Board undertakes a review of all digital projects and prioritises these projects in accordance with the Council's Community Plan objectives, with criteria and weightings as bulleted below. This provides Senior Leadership and Members assurance that digital projects align with the Community Plan, accurately reflect a return on investment, provide value for money and thereby ensure a benefit to our communities and service users.

The Digital Strategy Action plan has been created with a detailed summary of strategic alignment and project detail. The action plan is a working document based on the business planning cycle, with priority matrices and the principles established from the local digital declaration and supported by officers on the Digital Transformation Board.

Successful key digital projects, delivered in 2021/22, include

- The migration, redesign and publishing of the new look Council website; this provides a more accessible 24/7 on-line service, and improved customer experience.
- Further Cyber Resilience; ensuring systems are up-to-date, that risk to information and data held on the corporate network is manageable and within risk tolerances.
- The migration of land charges register to HMLR (Planning Development).
- Implementation of hybrid meeting devices; allowing officers the ability to communicate with colleagues both internally and externally of Council offices, ensuring our services continue at high standards.
- Implementation of Customer Services call recording; to improve the quality of our customer care and the customer journey.

In the next 6 months, the following digital projects will be delivered, as identified in the Digital Strategy Action Plan:

- Using residents' feedback to develop and implement the NSDC My Account (MyNS); to provide residents with the ability able to self-serve and to see key information about all of their accounts with the Council at any time, when it suits them, together with the ability to track existing progress.
- Implementation of Agile Devices Phase 1; improving the ability of our workforce to access information and data from any location, thereby reducing visits back to the office base.
- Delivery of digital services directly to customers to ensure digital inclusion. Reduced/low carbon initiatives. Housing Repairs, Revenues visiting officers and Planning within Phase 1.
- Delivery of exercise Natural Strength, a Cyber Resilience business continuity

exercise; ensuring continuity of service during high-risk event.

- Investigation stage of Website Phase 2; further improvements to customer experience. Reducing the requirement to telephone for information.
- Implementation of two internal business systems; legal case management and improved service desk functionality that will streamline business processes making our services more effective and efficient.
- Enabling council e-newsletters; a modern approach to communication with communities whilst reducing paper copies produced and engaging through digital channels.
- Activation of customer webchat; a modern communication channel that continues to improve our customer service options for all customers providing an additional channel of communication.

The delivery of these key projects link to the Commercialisation Plan and to the business process reengineering savings incorporated to the MTFP of £200K in 2023/24 to 2025/26.

D. Revenues and Benefits

The Revenues and Benefits business unit has had a particularly challenging two years. The Revenues service, as well as ensuring that council tax and business rates billing was carried out on time and collection rates for both were maintained, the Business Manager and the Senior Revenues Officers worked closely with colleagues in the Finance and Economic Development Team to pay circa £52m in COVID business grant support. To ensure that grants were paid promptly to businesses, the team worked long hours and sustained their high levels of performance throughout. Similarly, the Senior Council Tax Officers worked tirelessly to pay Test and Trace grants to individuals on low income who tested positive and were therefore unable to work.

The Council Tax Benefits and Housing Benefits teams have had to administer additional hardship grants to residents whilst maintaining the speed of processing new claims and change of circumstances. This has been challenging with performance dipping in the first 6 months of 2021/22 with a recovery in the last quarter of the financial year.

The Business Manager for Revenues and Benefits took flexible retirement in the latter part of 2021/22 and now works 3 days a week; a mini restructure / change in responsibilities was undertaken during the year. Further anticipated changes in Universal Credit and Business Rates may necessitate a realignment of the Business Unit in 2022/23, 2023/24.

Director's Key Messages

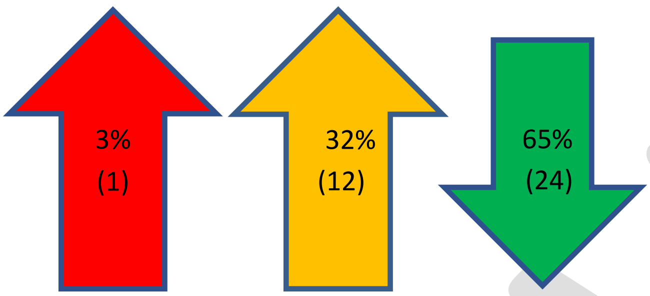
Communities and Environment

Business Units – Environmental Services, Public Protection and Heritage & Culture.

Overall Assurance

Direction of travel

R	A	G



Up from 0% to 3%	Up from 18% to 32%	Down from 82% to 65%

Critical Activities
Amber
Food safety
CCTV
Newark Castle

Key projects
Amber
Castle Gatehouse Project

Key risks
Red
SR114 - Environment
Amber
SR103 - Safeguarding
SR108 – Emergency response
SR113 – Community Issues (Pandemic)
Emerging issues (Amber)
Condition survey at the Newark Castle
National Waste Strategy impacts
Transport/Vehicle Maintenance/Fleet

Key partnerships
Amber
CCTV partnership
• Newark Heritage Forum • Friends of the National Civil War Centre

Significant progress has been made in terms of making Newark and Sherwood cleaner, safer and greener:

Litter levels are low - the Council has launched an anti-fly-tipping campaign 'Not in Newark and Sherwood', adopted a new policy in relation to graffiti removal, continued to facilitate community groups in litter picking, invested in a new 'Action Day Team' and more bins and brought in additional resource to enforce against anyone caught littering or fly-tipping.

Crime is down across the district on pre-pandemic levels and those reduction percentages are the best performing in Nottinghamshire. We successfully delivered the £550,000 Safer Streets Initiative and used this success to leverage in additional third-party funds to deliver a Safer Streets 2 project, which built on those successes. CCTV has been reviewed and a replacement programme is now underway.

A climate emergency has recently been declared and work is now underway to deliver the action plan, whilst influencing reductions across the wider district through our influencing, regulatory, commissioning and procurement roles. The Council has planted thousands of trees, increased its recycling percentage to its highest ever level, taken delivery of its first two electric powered vehicles and approved plans to install photovoltaics on a number of council buildings, including the leisure centres.

The Heritage and Culture Business Unit has shown great innovation to continue to engage audiences in new ways through the pandemic, whilst navigating forced closures and furlough, to ensure that the services were delivered on budget overall. Post the ending of restrictions, there is a need to continue the recovery and regain audience confidence, whilst undertaking significant works at the Castle and finalising proposals for the exciting Gatehouse project.

Director's Key Messages

Emergency response

The longevity of the Emergency Planning response to the pandemic has been unprecedented since the Second World War. Add to that the complexity of rapidly changing local, regional and national circumstances, and this has dominated emergency planning work.

The red risk reflects the ability of the Council to respond to a concurrent event in this context. However, with the easing of more and more restrictions, it is hoped that this risk target will be reduced to amber in the short to medium term.

Community issues – pandemic

The government has spent billions of pounds in response to the pandemic, whilst there have been shifts in the economy and differences in how communities have been affected by the pandemic. It is likely that there will be a longer-term impact to be felt as a result of these and other factors.

The Council has identified this as a strategic risk and a cross council group has been created to try to understand how these impacts may play out and how they can be mitigated.

Environment

The UK Government has made a pledge for the UK to be carbon net neutral by 2050, whilst a host of Councils have followed suit with their own net neutral targets. The Council's own survey work with residents shows how important this agenda is to local residents. However, with the Council's carbon footprint only accounting for 1-2 per cent of emissions in the district, it is not yet clear how some of those national pledges (including those in the Environment Act in relation to recycling) are going to be implemented or financed. Hence, there is a risk both in terms of financing and managing expectations.

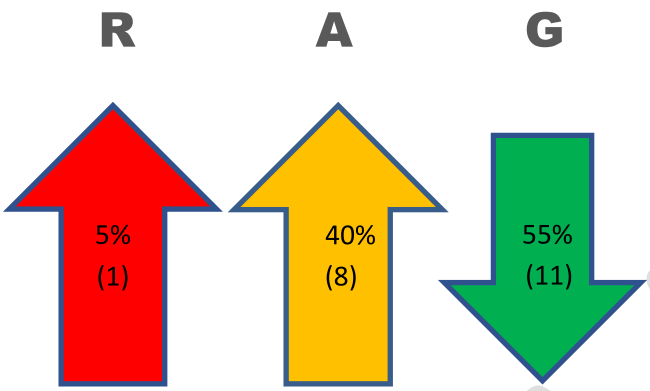
Director's Key Messages

Planning and Growth

Business Units – Economic Growth and Visitor Economy, Planning Development and Planning Policy.

Overall Assurance

Direction of travel



Up from 0% to 5% | Up from 27% to 40% | Down from 73% to 55%

Critical activities
Amber
Processing Planning Applications and Fee Income
Planning policy / LDF (including Duty to co-operate)
Key projects
Amber
Land East of Newark
Funding, designing and building, A1 Overbridge at Fernwood
Southern Link Road - Funding
Ollerton Roundabout Improvement
Newark Northern A46 Bypass / Link Road
Delivery of Newark Town Fund programmes
Key risks
Red
SR104 Failure to deliver growth infrastructure

Despite the inevitable ongoing challenges of the Covid-19 pandemic significant progress on delivery of the Council's growth aspirations has been made.

Housing numbers, both private and affordable continue to exceed delivery targets. The Council, as developer, is also now making a significant direct contribution to providing needed new homes through the continuation of the HRA Affordable Housing Development Program and Arkwood.

New road and community infrastructure has progressed, including key funding announcements for the A46 Newark Northern Bypass, Ollerton Roundabout and the A614 Corridor, and Newark Southern Link Road.

High streets and town centres continue to experience challenges, with interventions such as the Newark Towns Fund, the Heritage Action Zone, and Shop Local campaigns continuing to assist footfall and vibrancy.

The Council has cemented relationships with and between educators, businesses, investors, and residents to ensure resiliency and maximise opportunity, ambition, and potential.

There remains challenges to address for the high street, meeting housing needs for our Gypsy and Traveller communities and creating greater leaning and earning opportunities for our residents.

Covid-19 Support

£50.770m in Covid-19 Support Grants have been administered throughout the pandemic, providing lifelines to hundreds of employers, employees, and residents through challenging times.

The service had also delivered, in partnership with Town and Parish Councils, a £216,000 package of Welcome Back and Reopening High Streets Safely funding.

Director's Key Messages

In addition to these central government Covid initiatives the service has designed and introduced a raft of its own support projects and programs which have been replicated by others.

This has included the Economic Growth & Covid Recovery Plan, the High Street Diversification Fund an incentivised e-commerce grant for independent business to go online (helping over 80 businesses), and a Business Growth & Resilience Programme offering a total £300,000 package of support across four key sectors of Accommodation, Manufacturing & Construction, Retail, Food & Beverage and Health & Social Care.

Economic Development & Skills

Economic support and activity has significantly increased via a raft of programs, projects, and successful competitive grant bids aimed at supporting businesses, employers, educators, students, and residents to fulfil their limitless potential.

This has included securing £25.6m of Towns Funding for Newark across 9 priority projects, £20m Levelling Up funding for the Newark Southern Link Road (SLR), and £1.26m for skills and business support programs within the District via the Community Renewal Fund.

The Kickstart initiative has supported over 80 people into employment, training and gaining new qualifications.

Additionally, the Council has hosted a Growth Conference and undertaken numerous events to support the economic development of the area from Teenage markets to procurement events.

Newark Southern Link Road

The Council, in partnership with the County Council and master developer, Urban & Civic, have secured £20m of funding support from the Government's Levelling Up Fund, towards delivery of the road, in addition to the Council's Capital contribution.

The LUF monies will be released to the Council (as the accountable body) following execution of a Memorandum of Understanding, agreeing the funding profile and project outputs to be monitored through an evaluation framework.

However, given the passage of time from planning approval to the new highway standards for both NCC at the A1 end and National Highways at the A46 end. This work is underway, with NH committed to a funding contribution at the A46 end.

Ollerton Roundabout Improvement

The Council is committed to working with Nottinghamshire County Council in delivering improvements to Ollerton Roundabout, identified as a key project in the Nottinghamshire Strategic Infrastructure Plan and featuring as a key the County Council's A614/A6097 Major Road Network scheme.

Department for Transport has confirmed approval of the outline business case, allocating £24.4m to the scheme, designed to support growth and development through reduced congestion at key intersections, improving the predictability of journey times and providing more traffic capacity for future growth.

Proposed works to the roundabout have an estimated cost of c.£7.4 million, including:

- enlarged conventional roundabout – 5 arms instead of 6
- capacity increases
- speed limit reduced on approaches
- 2x toucan crossings
- scheme requires third party land – VIA East Midlands will try to purchase all land by negotiation

Newark Northern A46 Bypass / Link Road

The A46 Newark Northern Bypass features as one of the schemes in National Highways' (NH) second Road Investment Strategy (RIS2). Since NH's public consultation in early 2021, which presented possible options for improving the A46 between the Farndon and Winthorpe roundabouts, the Council has continued to engage with NH and a wide range of stakeholders to contribute local knowledge in the development of a preferred route option for improving this section of the A46.

A decision on the preferred route is expected early this year, with a view to construction commencing in the latter half of 2025. However, it is important to note that the October 2021 Budget cut NH's budget by more than £3 billion, with confirmation of which RIS2 schemes will be impacted or cut still to be announced. However, given NH's ongoing commitment to finding an optimal solution for integrating the SLR roundabout on the A46, the Council remains optimistic of the former continuing, while Midlands Connect continues to lobby Government about the strategic importance of this section of the A46 in the wider context of the Trans Midland Trade Corridor.

Failure to deliver growth infrastructure (SR104)

The Levelling Up Funds of £20m have been secured in principle from the Department of Transport for the Newark Southern Link Road (SLR) and a preferred route announcement for the A46 is expected at the end of February 2022.

We have also now commissioned Highways England to progress with the next stage of the A1 over-bridge design work and continue to assist and influence the Non-Strategic Road Network proposals across the A614/617 corridor and Ollerton Roundabout.

Whilst progress is positive, with big steps forward taken I am mindful that until the SLR monies are secured, the final design fixed, and tenders for construction received the risk profile remains high.

Likewise, the other infrastructure priorities need to progress further before the level of risk and likely impact can be reduced.

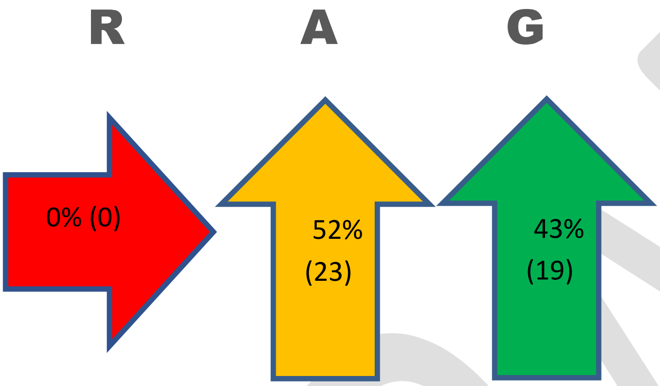
Director's Key Messages

Housing, Health and Wellbeing

Business Units – Housing and Estates Management, Health Improvement & Community Engagement, Housing Management and Asset Management, Housing Income and Leasehold Management and Housing Development, Regeneration and Housing Strategy.

Overall Assurance

Direction of travel



No RAG rating for 5% of the directorate activities. These relate to two emerging bills. There are no previous year comparative figures (new directorate).

Critical Activities	
Amber	
Leisure centres	Health and Safety (Housing)
Humanitarian Assistance Response Team	S106 negotiations
Resettlement Co-Ordination	HRA Self Financing Business Plan
Covid 19 Response & Recovery	Inputting and processing of housing applications
Housing - Responsive repairs	Communal Area Inspections
Housing Stores & procurement	Estate Walkabouts
Careline Services	

Key Projects	
Amber	
Housing Asset Management System	Housing regeneration - Yorke Drive
Apex Compliance & Asset Management software	Upgrade of SOR for costing repairs

Key risks
Amber
SR102 Financial sustainability - HRA
SR105 - Contract/supply failure
SR115 - Regulatory and statutory compliance management
Emerging issues (Amber)
Current Tenants Charter Bill
Building and Fire Safety Bill

Significant partnerships
Newark and Sherwood Resettlement Partnership
Active4Today and Southwell Leisure Centre
Capita – provision of housing management software

Director's Key Messages

Critical Activities

Significant progress has been made in terms of integrating housing services into the Council and the creation of the new Directorate:

Overall performance is excellent across most areas of service and a number of activities have been amalgamated within the wider council structure including housing development delivery, customer services and some administrative functions. Alongside bringing maintenance of our HRA land in house to be delivered by StreetScene.

We have integrated our ASB policy, completed an overall Landlord Strategy and completed our tenancy engagement review to ensure we have a great platform for engagement with tenants and customers of our services. Our focus is on ensuring our Careline service is fit for purpose and procuring a new system with future opportunities around telecare to support our aging population.

Whilst it has been a challenging year for Active4Today, our Leisure offer has increased with the addition of Southwell Leisure Centre to secure local provision. We are working to update our strategies around facilities and playing pitches as well as continuing to work in partnership with the YMCA. It has been another intense year for HART and community engagement colleagues with number demands from partners and the community to support with grant distribution, signposting and support our food inequalities as well as keeping population health and its determinants at the front of our minds.

Income wise, so far, our tenants have been resilient to the pandemic and our performance remains strong. We have a number of projects to support tenants who experience difficulties or just to give people a great start in their tenancy. We have a large project to understand the implications of rent depooling in the current challenging climate of raised living costs.

The area of most activity is our asset and repairs, with challenges around materials, recruitment and safe systems of work impacting on key services. We are making inroads with fire safety, improved void standard, revised repairs categories and resetting our data around our stock through completing a stock condition survey programme that will inform a new asset management programme – we are cognisant that there are a number of initiatives at Government level being discussed that may impact our plans e.g. future decent homes.

Yorke Drive

This is the largest regeneration for the Council in forty years and there have been a number of significant challenges to navigate including redesign to mitigate issues found during investigations alongside changes in Government and Local Policy as well as ensuring any changes are contained within the cost envelope.

Compliance

Compliance has been and continues to be a focus and we are investing in a new system to improve our data and how we can access and report on performance. We have dipped our toes in the green/decarbonisation agenda and this continues to be area of focus and risk due to an infant market and limited knowledge of costs and skills required to achieve EPC C by 2035.

Social Housing Charter

We have reviewed our complaints policy against the Housing Ombudsman Self-Assessment and completed a gap analysis based on what we know about the seven strands of the social housing charter. These proposals are not ground-breaking and as good landlord we see these as the baseline not the target for our services. Again, we have new resource to take our ambitions forward and are keeping a watching brief on developments in all aspects of activity the regulator, the Government and the Ombudsman.

Director’s Key Messages

Housing Management Systems

We have been carrying a digital deficit for a number of years so have made great progress in getting our systems updated to enable us to prepare and procure our future system that will be the foundation of our modern, digital first services, enabling our face-to-face offer to focus on those areas that are more than a simple transaction. This carries inherent risk and also a resource challenge to ensure we secure a well-designed system that meets our needs – and our aspirations.

HRA 30-year business plan

We are directing our thinking into our long-term stability and how the expectations on service development will be finances. The landlord strategy has been launched which gives a long-term view

Recovery from Covid

We do not know the full extent of the legacy of covid. We have directed some efficiency savings to different areas of the Directorate but are able to respond to emerging issues. We have also strengthened our health and wellbeing team and are responding to significant changes in the health world that impact on how we work in partnership with health and other agencies.

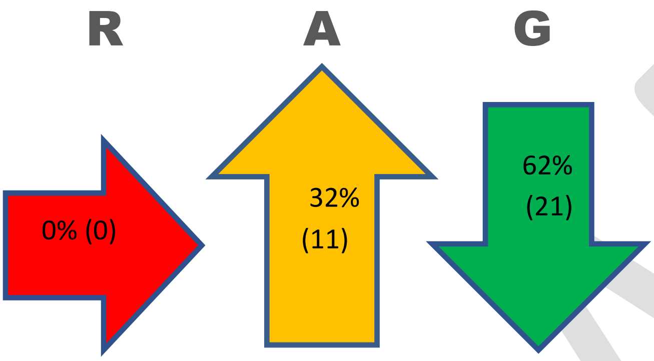
Director's Key Messages

Customer Services and Organisational Development

Business Units – Human Resources and Training, Customer Services, Communications and Marketing, Corporate Administration and Transformation and Service Improvement.

Overall Assurance

Direction of travel



No change	Up from 29% to 32%	Down from 71% to 62%

No RAG rating for 6% of the directorate's activities. These relate to two emerging issues concerning recruitment and housing & public protection restructuring.

Critical activities
Amber
Administrative services
Corporate Policy
Performance Management
Assurance functions
Contract management – General

Key projects
Amber
Alignment Project – Customer Services and Admin Services
Customer insight
Workforce Development Strategy
Car Parking Review

Key risks
Amber
SR105 - Contract/supply failure
SR106 - Workforce

Performance Management and Assurance

Great strides have been made this year to move to an organisation with a clear performance culture. Performance is reported quarterly to senior management and members. It focuses on our progress towards delivering the Community Plan (activities and PIs) as well as analysing local statistics, customer feedback and workforce statistics, thus creating a full account of the performance of the Council. This has been well received; the report is supplemented by operational performance data which is reported to the director quarterly. There has been progress in embedding a performance culture within the organisation and this will continue to develop.

The Transformation and Service Improvement team support of the work the Public Protection Business Unit and produce quarterly assurance reports to SLT. These cover compliance and risk management. Reporting is by exception and a new robust reporting template has been developed. Going forward the Risk and Safety Officer will present these reports so that areas of concern can be discussed. This approach is now embedded so the next quarter risk rating for this activity will reduce to green.

Corporate Planning

The annual business planning cycle is now well embedded, and all Business Units have approved business plans with clear objectives and measurable performance targets, which are appropriate and linked to the Community Plan. No issues identified in this area and progressing well for 2022/23.

Human Resources and Training

With new Business Manager and the implementation of a new HR system this year

Director’s Key Messages

will see fundamental changes to the support and approach provided by the HR team. The appropriate resource and expertise have been aligned to the implementation of the new HR system which will see improved functionality and be more user friendly. The improved functionality will provide greater assurance in all aspects of the HR function and the organisation’s responsibilities as an employer.

The development of a Workforce Development Strategy (due to March committee for approval) will have an associated action plan for implementation. This will include a revised approach to training which focuses on the skills gaps of the organisation. The analysis of training and the evaluation of its effectiveness needs to be improved; this is covered within the action plan.

Recruitment across the board, and particularly in key activities is proving more difficult. This is a trend seen across the public sector and work is being undertaken to better promote the council as an employer of choice, the recruitment process has been amended to make it simpler and funds have been set aside to assist with recruitment difficulties. Work on this is ongoing but in a difficult marketplace will need to be kept under constant review.

Customers (Customer Services and Customer Feedback)

Customer services is a well-established business unit which reacts accordingly to customer demand. The team’s resilience and adaptability has been tested during the Pandemic, supporting not only customers contacting the Council but also other business units.

The pandemic has changed the way in which customers contact the Council resulting in fewer face to face enquiries. As society continues to return to business as usual, it is not known whether customers will revert to their previous ways of dealing with the Council. The Customer Services business unit is prepared to manage this change in behaviour and will adapt to this accordingly.

The initial management of customer feedback submitted through the corporate customer feedback system is carried out by Customer Services team leaders. The feedback is then passed on to the relevant business managers who provide responses. The council’s new website now includes a feedback button on the front page to make it easier for customers to tell us about their experience. The council is an organisation that welcomes feedback and learns from all the comments which are received.

A revised complaints policy has been developed and the process and templates will be rolled out to all business units over the next few weeks to ensure the process is embedded across the organisation.

Registers

The transformation team keep a list of all policies and strategies as well as a partnership register. These are reviewed but there is reliance upon relevant business units to inform the team of any changes that take place.

The contract management register is held on Pro-contract and is accessible to our procurement provider, Welland. Smaller contracts are added as business units raise them but historically this has been patchy. Currently finance have the ability to add to the register but consideration is being given as to whether this sits better within the legal function.

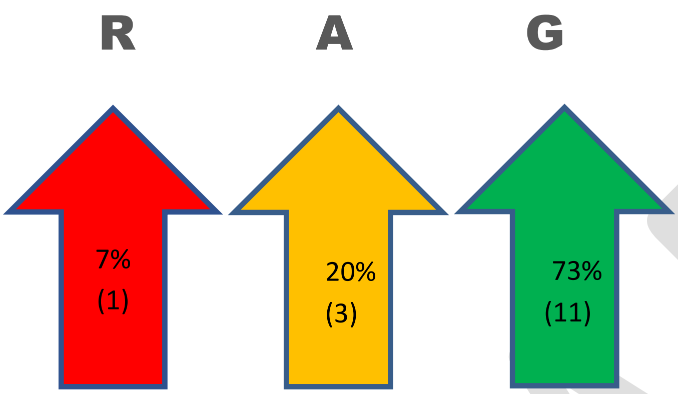
Director’s Key Messages

Legal and Democratic Services

Business Units – Elections and Democratic Services, Law & Governance and Monitoring Officer responsibility

Overall Assurance

Direction of travel



There are no previous year comparative figures (new directorate)

Critical Activities
Amber
Running Electoral Registration and Elections
Key projects
Amber
Information Management Project (Digital)*
Key risks
Red
SR110 Data Management & Security*
Amber
SR109 Corporate governance

*Information Management Project (Digital) and Data Management and Security – the Data Protection Officer (Law & Information Governance BU) is actively involved in these projects, but ownership is ICT (Resources Directorate) with oversight by the Corporate Information Governance Group which is chaired by the Deputy Chief Executive & Resources.

Electoral Services

In 2021-22 the Service successfully ran a County Council and Police and Crime Commissioner Election, together with 3 by-elections. There are no planned elections for 2022-23, the District Council and Parish elections being planned for May 2023.

In readiness for elections, the Service is required by law to publish the Annual Register of Electors on 1st December 2022, and to keep it updated throughout the year. Electoral reform in the form of Voter ID and some changes to postal voting is anticipated prior to the May 2023 elections.

A need for further resource has been identified, to ensure the Service can discharge its duties effectively and minimise risk for the Council. Work is underway to review the structure of the Service.

Democratic Services

The Service is currently preparing for the Council’s new governance arrangements, which will take effect from May 2022. This includes updating administrative arrangements to accommodate provision for Key Decisions and individual Portfolio Holder decisions, implementing revised/new report templates, and updates to the Mod.Gov software system. The Service will have an important role in helping elected Councillors to adjust to the new arrangements, and more widely with Officers to ensure a smooth transition to Executive Arrangements.

The Monitoring Officer has responsibility for maintenance of the Council’s Constitution; making the necessary amendments is a key part of change in governance arrangements.

Legal Services

Capacity is improving with the appointment of two permanent qualified legal advisors and further permanent recruitment planned for 2022-23.

Director's Key Messages

The Service is in the process of implementing installation of a legal document management system. In 2022-23 the Business Unit will aim to embed the system fully into its working practices, and ensuring professional staff spend their time on technical legal work rather than losing time on inefficient systems and administrative tasks that could be more automated, plus develop more effective and efficient performance reporting. The system is cloud-based and therefore in line with the Council's Digital Strategy and Office 365.

The Service aims to professionalise its service with Business Unit 'clients' by diarising regular reviews, to consider work prioritisation in accordance with corporate priorities and risk.

Information Governance

The Service has a new Information Governance/Data Protection Officer in post. Early objectives are to review arrangements for staff training and awareness and to ensure the Council's Privacy Notices in relation to data protection are adequate. The new post holder will also work closely with ICT colleagues in relation to the digital transformation of information management.

There is a well-established structure for information governance for the new post holder to take forward. In 2022-23 a revised process for dealing with data breaches was implemented, and a revised email policy was introduced.

AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

ANNUAL INTERNAL AUDIT PLAN

1.0 Purpose of Report

1.1 The Internal Audit Plan (Appendix A) sets out the proposed work of Internal Audit for 2022/23.

2.0 Background Information

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

- Financial Governance
- Governance and Risk
- Critical Activities
- Project Assurance
- ICT
- Key Controls
- Combined Assurance
- Consultancy Assurance

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

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

2.4 Appendix A sets out in detail Assurance Lincolnshire’s approach and what is intended to be reviewed in 2022/23. The plan set out is a 'flexible plan' which is subject to change as the year progresses to reflect the current risk environment. Any changes to the plan during the year will be agreed with the Business Manager Financial Services and subsequently notified to the Audit and Governance Committee.

3.0 Proposals

3.1 The Audit and Accounts Committee review and comment on the Internal Audit plan.

4.0 Equalities Implications

4.1 None

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 (FIN22-23/689)

6.1 As suggested within the Internal Audit Plan, the proposed total cost of the internal audit service for the 2022/23 financial year is £99,750. This is the total cost and includes charges that relate to bodies that are recharged for this service such as the Gilstrap Charity and Mansfield Crematorium. There is also a charge to the HRA in relation to audits that are predominantly HRA related.

6.2 The budget as approved at Council on the 8th March 2022 agreed a budget of £95,290 which is £4,460 short of the proposed cost. The reason for the difference relates to an increase in day rate compared with the cost for the 2021/22 financial year. This shortfall can be contained within existing budgets within the overall Financial Services Business Unit.

7.0 RECOMMENDATION(S)

7.1 **That the Audit and Accounts Committee approve the Internal Audit Plan.**

Background Papers

Nil.

For further information please contact Lucy Pledge on 01522 553692.

Nick Wilson
Business Manager Financial Services

Internal Audit

2022/23 Plan

Newark and Sherwood District Council

March 2022

Assurance LINCOLNSHIRE
For all your assurance needs

NEWARK & SHERWOOD DISTRICT COUNCIL

Contents

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The Planning Process

Introduction

This report sets out the Internal Audit Plan as at 1st April 2022. The plan details the activities to be audited and the indicative scope for each audit. The draft plan gives you an opportunity to comment on the plan and the priorities that we have established. The plan is amended throughout the year to reflect changing assurance needs.

Our audit plan delivers assurance within agreed resources. The number of days included in the plan is currently **285 days**.

Our agile approach to planning details audits required to be undertaken at a given point in time in order of priority – based on risk, significance and requirements to enable a robust Head of Internal Audit opinion. There are a number of 'must do' audits which are essential to the Head of Internal Audit opinion. We update our plan during the year – to reflect changing risk and assurance needs.

We are then able to use our audit planning tool and our 'call off' list of high priority audit areas to target our assurance – working within agreed resources. This approach has the benefit of enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan becomes more dynamic and responsive – essential for an effective Internal Audit service.

In Appendices A to E we provide for your information details of:

- Auditable Activities
- How the draft plan achieves the requirements of the Audit and Accounts Committee and Head of Internal Audit
- Our Working Protocols and Performance
- Our Quality Assurance Framework

Developing the plan

The internal audit plan has been developed from the Council's Assurance Map – which was updated in March 2022 with input from Management. **Figure 1** shows other key sources of information that has helped inform the plan.

We have prioritised our audit work taking account the impact an activity will have on the Council if it fails. The criteria for determining priority are:

- **Significance** - how important is the activity to the Council in achieving its objectives, key plans and in managing its key risks. We look at both financial loss and strategic impact.

Figure 1 – Key sources of information

- **Sensitivity** - how much interest would there be if things went wrong and what would be the reputational and political impact.
- **Level of Assurance –** we assess the current level of assurance evaluating reliability and contribution to the Head of Internal Audit annual opinion on governance, risk and control.
- **Time**– when it will happen (this will determine when is the best time to do the Audit).

Updating the Plan

Through the year we will liaise with the Council and collect business intelligence that identifies emerging audits which could be included in the plan according to priority.

The primary source of business intelligence will be the regular liaison meetings between our team and the nominated liaison contact, liaisons at the directorate meetings and other sources of intelligence including:-

- Committee reports
- Performance and Risk Management assurances
- Key stakeholders
- Horizon scanning

Delivery and Focus

Delivering the Plan

The audit plan has been developed to enable us to respond to changes during the year. The plan is therefore a statement of intent – our liaison meetings with senior management will enable us to firm up audit activity during the year based on risk, priority and requirements for the Head of Internal Audit opinion.

An audit schedule will be drawn up following liaison with the various auditees and Directors. It is important that any changes required to the audits or the schedule are notified to Internal Audit as soon as possible to avoid abortive time being spent on audits and for us to reallocate resources.

The Council's Internal Audit Plan is **285 Days.**

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

Head of Internal Audit
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Audit Focus for 2022/23

In the following table we provide information on key audit areas and the rationale for their inclusion in the audit strategy and plan.

Area	Reason for inclusion
Financial Governance	Providing assurance that key financial controls are in place and operating effectively during the year across all areas of the Council. This work provides the Section 151 Officer with a key element of his assurance that the Council has effective arrangements for the proper administration of its financial affairs. This will include work on the key financial controls and Levelling Up Fund.
Governance & Risk	Providing assurance that key governance controls are in place and are operating effectively. These cross-cutting audits focus on the Council's second line of assurance - corporate rather than service level systems. Areas included: • Governance Review

Area	Reason for inclusion
	• Information Governance
Critical Activities	The combined assurance work undertaken in 2021/22 identified some critical activities where a potential audit would provide independent assurance over the effectiveness of risk management, control and governance processes.
Project Assurance	There are a number of critical projects identified by the Council. We have selected one to seek to provide assurance around the successful delivery (on-time – within budget – deliverables achieved and benefits realised). • Delivery of Newark Towns Fund programmes • Storage Area Network
ICT	Technology and associated threats and opportunities continue to evolve at a pace. The effectiveness of ICT has a great impact on how well the Council works. We will seek to provide assurance that key controls comply with industry best practice and are operating effectively. Audits planned come from previous year assessments and our awareness of current ICT risks.
Follow Up	We will carry out a follow up audits throughout the year to provide assurance that a sample of identified control improvements have been effectively implemented and the risks mitigated. Working with management we also track the implementation of agreed management actions for all audit reports issued.
Combined Assurance	Working with management we co-ordinate the levels of assurance across the Council's critical activities, key risks, projects and partnerships – producing a Combined Assurance Status report in March 2023.
Consultancy Assurance	At the request of management, we undertake specific reviews where they may have some concern or are looking for some advice on a specific matter or around governance, risk and controls for a developing system. Such reviews are not normally given an audit opinion.

Appendix A outlines the various audits to be undertaken within each area. Appendix B contains those areas which we have not been able to include in the plan but management may wish to consider whether they should be included.

Annual Internal Audit Opinion

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

Appendix A – Internal Audit Plan

These are the audits with the highest priorities. We have also included fundamental must do areas which will help inform the Head of Internal Audit opinion. Audits will be undertaken in priority order subject to agreement with the client over scheduling and and where applicable availability of specialist staff e.g ICT audits.

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Financial Governance						
Key Control Testing (Must do)	Delivery of key control testing to enable Head of Internal Audit to form an opinion on the Council's financial control environment.				✓	
Treasury Management	Provide assurance on the Council's Treasury Management processes and controls around borrowing, investment and cash flow.	A	A		✓	
Information Governance & Personal Data Breaches (Must Do)	There are effective processes in place for the management of information throughout the Council.	A	A	✓	✓	✓
Governance Review (Health check) (Must Do)	To provide assurance around the governance arrangements within the council compared to the Centre for Governance and Scrutiny's seven Characteristics of good governance.		A		✓	
Growth Infrastructure Risk (must do)	To provide assurance that the risk management arrangements are effective in facilitating the provision of local infrastructure to ensure growth within the district meet agreed plans and corporate priorities.		R		✓	
Company Governance (Arkwood and Active4Today) (must do)	Review of the Company governance arrangements for Arkwood Developments, Active4Today and the integrated Southwell Leisure Centre ensuring that there is sufficient oversight and risk management processes in place.	A		✓	✓	✓
Critical Activities						
Planning Applications (Decision Making) (must do)	To provide independent assurance that the decision-making arrangement for planning applications are clear and comply with legislation and local policies and procedures and decisions are issued	A	A		✓	✓

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
	correctly and promptly.					
Workforce planning (must do)	To give assurance that the Council's workforce plans / strategies are effective in meeting the changing needs of the Council and the demographic and skills of staff.		A	✓	✓	
Performance Management (must do)	To provide assurance around the performance of the identified Community Plan Key Performance Indicators.	A	A		✓	
Responsive Repairs	To give assurance on the effectiveness of the arrangements and processes in place to ensure there is a comprehensive responsive repair service of the Council's housing stock which meet customer needs and carried out within the laid down timescales.		A		✓	
Resettlement Co-Ordination	To give assurance that the Council has put in place sufficient and effective support arrangements for the resettlement of vulnerable persons including refugees which are delivered in a co-ordinated way with other key partners.	A	A		✓	
Project Assurance						
Levelling-up and Newark Town Funds (must do)	To give independent assurance that the governance arrangements and assurance processes supporting the delivery of the Newark Towns Fund and Levelling Up projects are in place and operating effectively. Note that until recently, the government has delegated governance arrangements of the Towns Funds to the s151 Officers.		A		✓	
SAN/Hosts Refresh (must do)	To provide assurance around the effectiveness of the Council's Storage Area Network (SAN) and hosting arrangements in place to support data recovery and Business Continuity.		R		✓	
ICT						
ICT Applications (must do)	To provide a high-level assurance that key applications including Concerto, Apex, TopTix, Asset 4000 and Pentana	R	R		✓	

Audit Area	Assurance Sought	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
	Risk are operating effectively.					
iTrent HR / Payroll System	To provide assurance on the effectiveness of the security arrangements, data migration and the general system operation for the new iTrent HR/Payroll system which replaces Selima HR/Payroll.				✓	
Virus Protection / Malware	To provide independent opinion on the adequacy and effectiveness of the control environment with regards to Antivirus and Malware.		A		✓	
Follow-up						
Follow-ups (must do)	To provide management with assurance that actions from previous key audits have been implemented and this has led to improved outcomes.				✓	✓
Combined Assurance						
Combined Assurance	Completing the integrated assurance mapping process for the Council by helping to map assurance against critical activities and key risks. Helping co-ordinate the development of the annual status report.				✓	✓
Grant Certification and Other Financial Audits						
Contain Outbreak Management Fund (COMF) grant	To provide certified assurance that the use of COMF grant related to the Covid-19 Test and Trace complies with the relevant grant terms and conditions.					✓
Mansfield Crematorium	Completion of the audit of the Mansfield Crematorium Accounts					✓
Gilstrap	Independent Examination of the Gilstrap accounts in accordance with S145 of the Charities Act 2011.					✓
Days		**245**				

Non-Audit	
Advice and Liaison	
Annual Report	
Audit Committee	
Action Tracker	
Review IA Strategy and Planning	
Directorate Meetings	
Training / Workshops	
Days	**40**

Grand Total	Total
Internal Audit Days	**285**
Fee	**£99,750**

Appendix B –Areas not included in the current plan

Auditable Areas	Assurance Sought (indicative)	Internal Audit Risk Assessment	Assurance Map RAG Rating	Strategic Risk Register	Corporate Priority	Management Request
Critical Activities						
Corporate Policy	There are processes in place to ensure the Council identifies new legislation and incorporates it into its own relevant policies and procedures.		A		✓	
Assurance functions	To provide independent opinion as to the effectiveness of the corporate assurance arrangements in place.	A	A		✓	
Running Electoral Registration and Elections	To provide assurance that the Council discharges its obligations in providing effective Electoral Services to its Citizens.		A		✓	
Humanitarian Assistance Response Team (HART)	To provide assurance around the services provided by HART to support the residents of Newark throughout the pandemic and any future planned support arrangements beyond the pandemic.		A		✓	
Resettlement Co-Ordination	To give assurance that the Council has put in place sufficient and effective support arrangements for the resettlement of vulnerable persons including refugees which are delivered in a co-ordinated way with other key partners.	A	A		✓	
Covid 19 Response & Recovery	To provide assurance that the Council continues to implement measures to contain ongoing Covid outbreak within its office establishments to ensure improved staff safety during the return to office.		A		✓	
Housing Stores & procurement	To give assurance on the effectiveness of the Housing Services' stores operational management.	A	A		✓	

HRA Self Financing Business Plan (30 year)	To provide assurance on the Council's arrangements for ensuring the HRA Self Financing Business Plan continues to remain sustainable.	**A**	**A**		✓	
Inputting and processing of housing applications	To examine the systems and controls in place for assessing, approving and prioritising applications to the Housing Register, and resulting lettings, in order to ensure that decisions taken are in accordance with Council policy and statutory guidance		**A**		✓	
Estate walk abouts	To provide assurance that the walkabouts and the block inspections are evidenced and remedial measures are put in place where necessary.		**A**		✓	
Asset register & Asset valuation	To ensure the Council has robust arrangements for correctly recording, maintaining and accounting for all Property, Plant and Equipment to support Financial Reporting.		**A**		✓	
Capital programme	The capital programme is appropriately approved, monitored, financed and reported.	**A**	**A**		✓	
Food safety	To provide assurance that the authority has effective procedures in place to ensure food premises are compliant with Food Safety Legislation.		**A**		✓	
CCTV	To provide assurance that the CCTV Service provision is well managed covering:- • Management arrangements • Service planning and monitoring including future planning • Regulatory compliance • Business continuity • Staff • Assets • Contractors • Stakeholders • Partnership working • Operational arrangements including collection and control of images and recording and reporting of incidences	**A**	**A**		✓	
User Education Awareness (ICT)	To give assurance on the effectiveness of the Council's arrangements for the systematic		**A**		✓	

	delivery of awareness training programmes that deliver security expertise and security-conscious culture.					
ICT Help Desk	To provide assurance that service requests generated by users are effectively captured, tracked and follow agreed and standardised resolution timeframes. The review will also consider the system's ability to track ICT assets owned and maintained by the Council.		**A**		✓	
Digital Strategy	There is a strategy in place which covers the appropriate areas and is supported with an action plan and investment strategy. This covers a review of the digital council strategy, associated action and investment plans.				✓	✓
VAT	To give independent assurance that VAT: • Is accounted for correctly • returns are processed accurately and timely • records are maintained and specialist advice is sought when required.	**A**	**A**		✓	

These are the areas which are not on the proposed delivery plan (Appendix A) but are important to the overall assurance framework of the Council.

Appendix C – Head of Internal Audit's Opinion

Our work is carried out in conformance with the UK Public Sector Internal Audit Standards. These require that the scope of Internal Audit covers the whole range of the Council activities – seeking to provide an annual internal audit opinion on the governance, risk and internal control environment of the Council which has been established to:

- Achieve strategic objectives
- Ensure effective and efficient operational systems and programmes.
- Safeguard assets and interests of all kinds (including risks that relate to work it undertakes through partnerships)
- Ensure the reliability and integrity of financial and operational information.
- Ensure economic, efficient and effective use of council resources.
- Ensure compliance with established policies, procedures, laws, regulations and contracts.

Our Internal Audit Strategy

It is important that the Internal Audit function focusses its work on what matters most to you – providing insight, assurance and added value to the Council. Whilst we have a plan in place this is flexible and may be changed during the year enabling greater flexibility and responsiveness – ensuring each piece of work is the right one, delivered at the right time. The plan is therefore more dynamic and responsive – essential for an effective Internal Audit service.

Our internal audit activity and plan has been driven by the Council's key objectives within the corporate plan, your key risks and critical service areas identified as part of the Combined Assurance Map.

We aim to align our work with other assurance functions – seeking to look at different ways of leveraging assurance to help us to maximise the best use of the Internal Audit resource and other assurance functions in the Council.

By adopting this approach it is possible to give the Council comfort that there is a comprehensive risk and assurance framework with no potential gaps. We are then able to use our audit planning tool to target resources. This will to minimise duplication of effort through sharing and coordinating activities with management and other management oversight functions.

We have identified the level of assurances in place by using the "Three lines of assurance" model – See **Figure 2.**

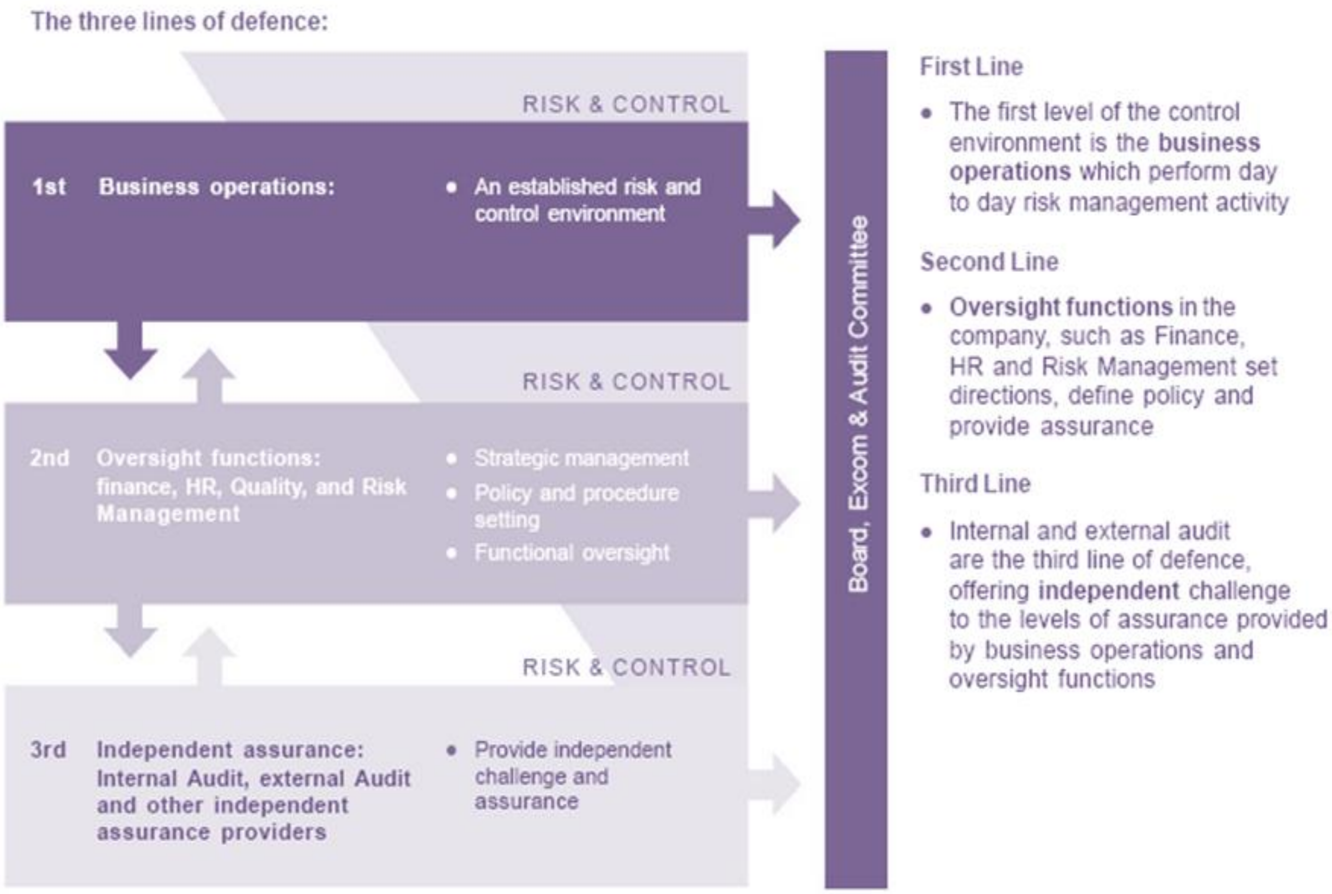


Figure 2 – The three lines of defence

Figure 3 shows the overall assurance levels on the Council's critical activities as at March 2022.

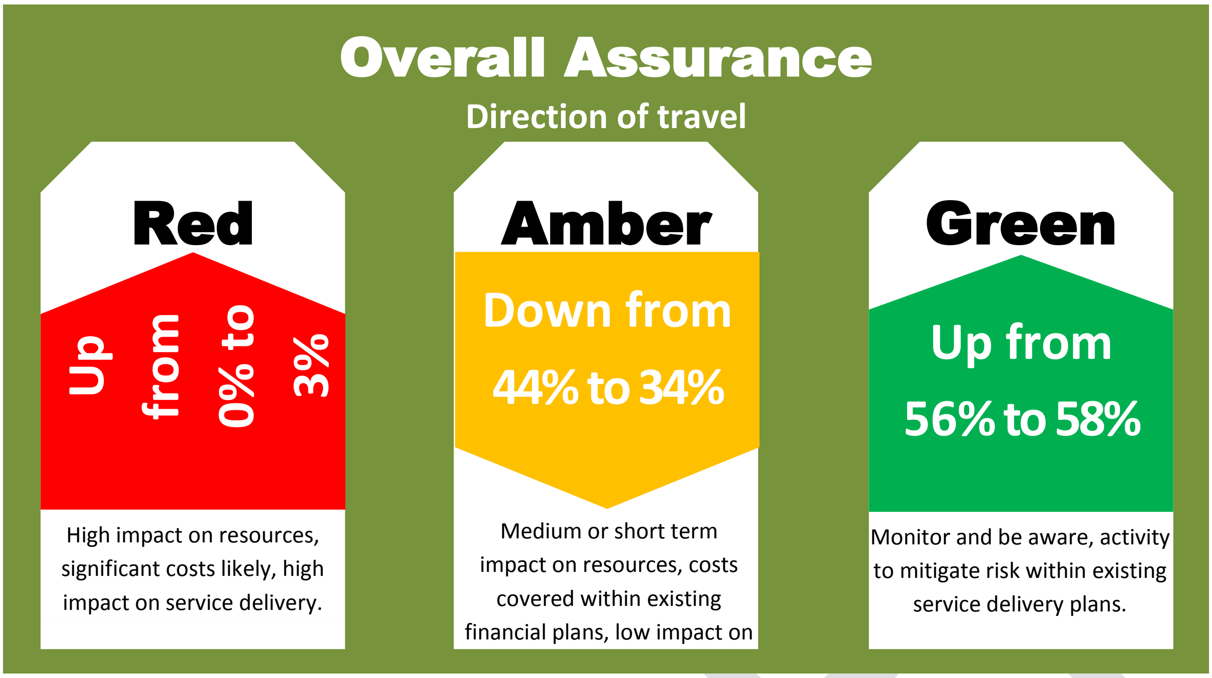


Figure 3 – Overall Assurance Status

Our Internal Audit Strategy also seeks to co-ordinate our work with other assurance providers where we can. In particular we liaise with External Audit to ensure the Council gets the most out of its combined audit resource – keeping audit fees low.

Appendix D – Working Protocols

Our approach to delivering of internal audit work is based on a clear protocol detailed in the Audit Charter. How this works in practice is set out at the bottom.

Our performance is monitored by the Section 151 Officer and the Audit Committee - measured against 3 key areas:

- Delivery of planned work.
- Timeliness (contemporary reporting).
- Quality and Impact of work (communicating results / added value).

Strong communication is fundamental to quality delivery and maintaining trusting relationships. We keep management informed in accordance with agreed protocols including:

- Agreeing potential audit work for the forthcoming year
- Providing quarterly updates to evaluate progress and discuss activities and priorities for the next quarter.
- For individual audit engagements we hold planning meetings in person (our preference) by phone or email to discuss and agree the terms of reference and scope of our work..
- We keep you informed of key findings during the audit and upon conclusion we hold a debrief meeting in person to discuss our findings and any outstanding issues.
- We communicate the results of our audit work in a clear and concise way – securing management action where control improvements are needed.

Weeks prior to fieldwork	-4	Notify key stakeholders of audit at least 4 weeks prior to fieldwork
	-0-4	Meet with Director or Business Manager (Audit Sponsor) to agree draft terms of reference (TOR) and obtain approval
Fieldwork		Initial meeting with auditees and audit sponsor
		Keep in regular contact with audit sponsor throughout the fieldwork
		Fieldwork completed
Weeks after fieldwork	+2	Draft report ready for internal review within 10 working days of fieldwork completing
	+3	Internal review
	+4	Draft issued within 5 working days of review
	+7	Closure meeting and Management response within 15 days of receipt of draft report
	+9	CMT review of draft
	+10	Final report issued within 5 days of management response

Appendix E – Our Quality Assurance Framework

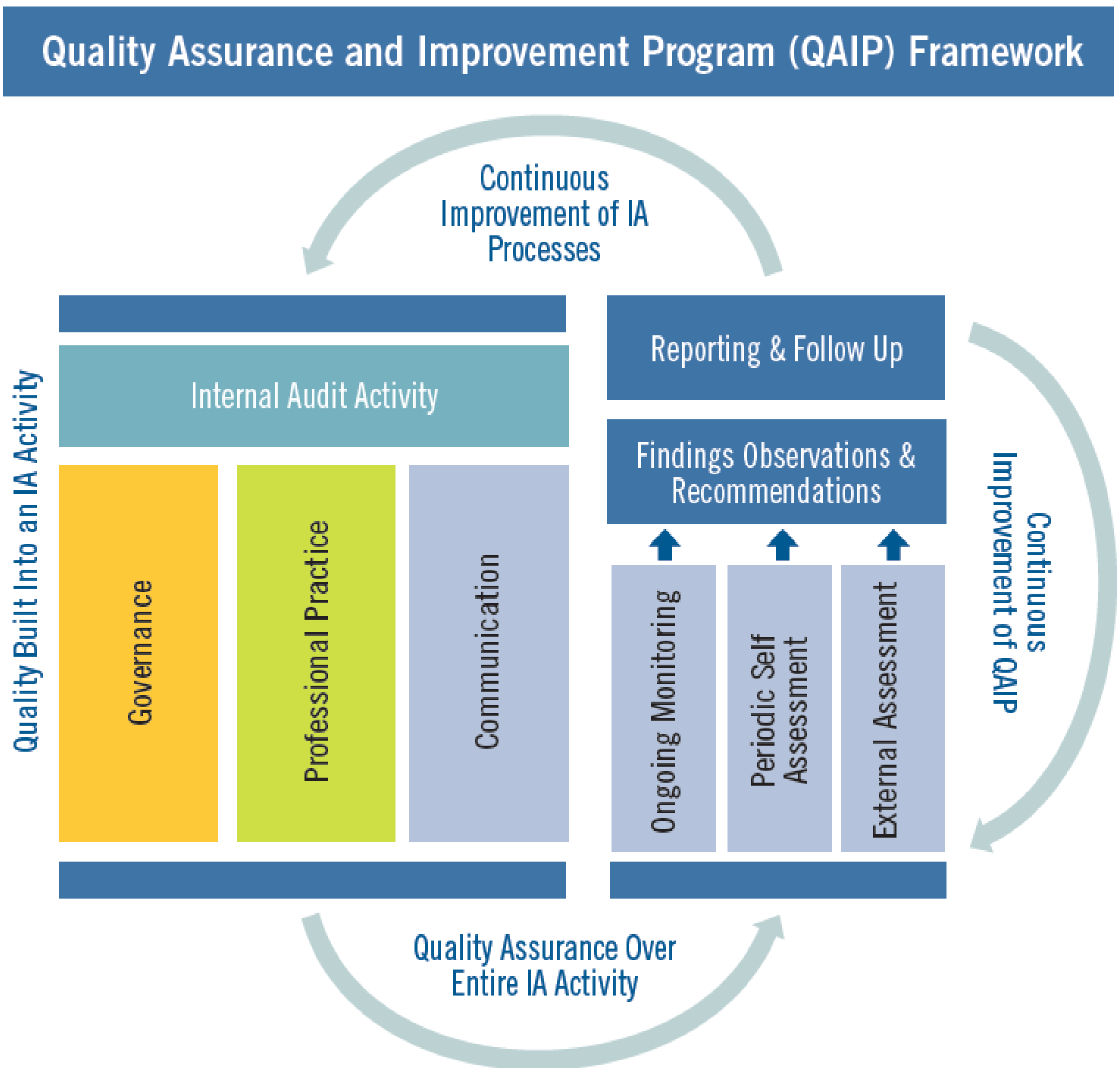
Quality is built into the way we operate – we have designed our processes and procedures to conform to best practice applicable to Internal Audit – in particular the UK Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Our audit team offers a wide depth of knowledge and experience gained across different organisations. We promote excellence and quality through our audit process, application of our Quality Assurance Framework and our training and development programme.

Our Quality Assurance Improvement Programme incorporates both the internal (self) and external assessments – this is a mandatory requirement and the Head of Audit reports annually on the results and areas for improvement. Our internal assessments must cover all aspects of internal audit activity – **The diagram below** shows how we structure our internal assessments to ensure appropriate coverage.

We use a number of ways to monitor our performance, respond to feedback and seek opportunities to improve. Evidence of the quality of our audits is gained through feedback from auditees and the results of supervision and quality assurance undertaken as part of our audit process.

Our Internal Audit Charter sets out the nature, role, responsibilities and authority of the Internal Audit service within the Council – this was approved by the Audit & Accounts Committee and was reviewed and approved in 2021.



AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

STATEMENT OF ACCOUNTING POLICIES 2021/2022

1.0 Purpose of Report

1.1 To provide Members with updates made to the Council's accounting policies in relation to the closedown of the 2021/2022 financial year.

2.0 Introduction

2.1 Prior to the completion of the Statement of Accounts for 2021/2022 it is important that Members are given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2022.

2.2 The 2021/2022 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/2022 (the Code) which is based on International Financial Reporting Standards (IFRS).

3.0 Updates to the Statement of Accounting Policies

3.1 The key accounting changes in the 2021/2022 Code include:

- *Confirmation of the arrangements for the endorsement of standards arising because of the United Kingdom's withdrawal from the European Union;*
- *Amendments to Section 3.3 (Accounting Policies, Changes in Accounting Estimates and Errors) to confirm (but not introduce) the adaptation in Section 3.3 and Appendix C of the Code for standards issued but not yet adopted;*
- *Augmentations to Section 3.4 (Presentation of Financial Statements) for the reporting of estimation uncertainty;*
- *Amendments to Section 7.1 (Introduction etc) to confirm the replacement of IPSAS 29 Financial Instruments: Recognition and Measurement with IPSAS 41 Financial Instruments;*
- *Confirmation in Sections 7.2 (Subsequent Measurement of Financial Assets and Financial Liabilities) and 7.3 (Financial Instruments – Disclosure and Presentation Requirements) of the reporting requirements of interest rate benchmark reform;*
- *Confirmation in Appendix C (Changes in Accounting Policies: Disclosures in the 2020/21 and 2021/22 Financial Statements) of the transitional reporting requirements of the new standards introduced in the 2021/22 Code; and*
- *Confirmation in Appendix D (New or Amended Standards Introduced to the 2021/22 Code) of the new standards introduced to the 2021/22 Code.*

3.2 The key changes listed at 3.1 do not impact on the Councils accounting policies. A complete set of the Accounting Policies for 2021/2022 are attached at **Appendix A**.

4.0 RECOMMENDATION

Members approve the amended Statement of Accounting Policies for 2021/2022.

Background Papers

Nil

For further information please contact Andrew Snape on extension 5532.

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

NOTES TO THE CORE FINANCIAL STATEMENTS

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

1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/2022 financial year and its position at the year-end of 31 March 2022. It has been prepared in accordance with the Code of Practice on Local Council Accounting in the United Kingdom 2021/2022 (the Code) supported by International Financial Reporting Standards (IFRS). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Accounting policies and estimation techniques have been selected and exercised, having regard to the accounting principles and concepts set out in IAS 8, specifically the qualitative characteristics of financial information:

- Relevance
- Reliability
- Comparability
- Understandibility
- Materiality

and pervasive accounting concepts:

- Accruals
- Going Concern
- Primacy of legislative requirements

1.2 Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue in financing and investment income and expenditure for the income that might not be collected.

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

1.3 Cash and Cash Equivalents

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

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

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

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

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

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

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

1.5 Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance in the form of the Minimum Revenue Provision (MRP). This charge is based on the Asset Life method of calculation as per the Councils approved MRP Policy, and will commence in the financial year after the asset becomes operational.

1.6 Council Tax and Non-Domestic Rates

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

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

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

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Employee Benefits

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

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in year, not the amount calculated according to the relevant accounting standards. Through the Movement in Reserve Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

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

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

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

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

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

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

Re-measurements comprising

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

- contributions paid to the pension fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

1.8 Events After the Reporting Period

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

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

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

1.9 Financial Instruments

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

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

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

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

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

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

Expected Credit Loss Model

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

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

Financial assets measured at fair value through profit or loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the surplus or deficit on the provision of services.

Fair value measurements of financial assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The fair value measurements of the Council's financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Any gains and losses that arise on the derecognition of the asset are credited or debited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 Government Grants and Contributions

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

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

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied.

Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

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

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges will be largely used to fund capital expenditure. However, a small proportion of the charges may be used to fund revenue administrative expenditure.

1.11 Heritage Assets

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

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

Heritage Assets – General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Councils general policies on impairment – see note 1.17 in this summary of significant

accounting policies. The trustees of the Councils museum will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Councils general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see note 1.17 in this summary of significant accounting policies).

1.12 Interests in Companies and Other Entities

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

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

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

Arkwood Developments Ltd is a wholly owned subsidiary of the Council and is a housing development company and its accounts are consolidated with the Council's in accordance with IAS 27.

1.13 Joint Operations

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

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

1.14 Leases

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

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

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

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

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

Operating Leases

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

The Council as Lessor

Finance Leases

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

Lease rentals receivable are apportioned between:

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

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

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

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

1.15 Property, Plant and Equipment

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

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

Measurement
Assets are initially measured at cost, comprising:

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

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

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

- Surplus Assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- Dwellings – current value, determined using the basis of existing use value for social housing (EUV–SH)
- Community Assets, Infrastructure and Assets Under Construction – measured at historical cost

- Other Land and Buildings, Vehicles, Plant and Equipment – fair value or, where there is no market based evidence of fair value, depreciated historical cost

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

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

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

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

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

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

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

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

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

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

Deprecation is calculated on the following bases:

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

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

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

1.16 Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

1.17 Reserves

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

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

1.18 Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer through the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

1.19 Value Added Tax

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

1.20 Fair Value Measurement of non-financial assets

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

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

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

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

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

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

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

AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

UNDERLYING PENSION ASSUMPTIONS FOR 2021/2022 STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2021/2022 Statement of Accounts.

2.0 Introduction

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

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

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

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

2.5 A formal actuarial valuation is carried out every three years, the last being as at 31 March 2019. The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2020 to 31 March 2023 as required under Regulation 62 of the Regulations.

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

2.7 The Actuary's report for 2021/2022 was received on 11th April 2022, however due to the timeliness of the report the Asset valuations where only based up to 31/12/2021. Therefore a revised IAS19 report is expected to be received mid-May with the Asset values at 31/03/2022. The current Actuary report is attached at appendix A.

3.0 Financial Assumptions

	2021/2022	2020/2021
Pension Increase Rate Public sector pension increases are linked to the Consumer Prices Index (CPI).	3.20%	2.80%
Salary Increase Rate Reflects the expected rate of growth in pensionable pay, allowing for increases over and above inflation, eg career progression	4.20%	3.80%
Discount Rate This allows for the effect of inflation on the liabilities in the scheme.	2.60%	2.00%

4.0 Demographic Assumptions

	2021/2022	2020/2021
Pensioner Mortality Life expectancy from age 65 years This impacts on the length of time pensions are expected to be payable		
Retiring today	Male 21.6 Female 24.3	Male 21.6 Female 24.3
Retiring in 20 years	Male 23.0 Female 25.8	Male 22.9 Female 25.7
Additional Assumptions; • Members will exchange half of their commutable pension for cash at retirement; • Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and • The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.		

5.0 Impact in Financial Statements

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

	Increase	future pensions Increase in charge for cost of future pensions
Discount Rate	Decrease Increase	Reduction in liabilities Increase in liabilities

6.0 RECOMMENDATION

Members note and approve the assumptions used in the calculation of pension figures for 2021/2022.

Background Papers

Nil

For further information please contact Andrew Snape on extension 5532.

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

Nottinghamshire Pension Fund

Newark & Sherwood District Council

IAS19 Report as at 31 March 2022

8 April 2022

Introduction

We have been instructed by Nottinghamshire County Council, the administering authority to the Nottinghamshire Pension Fund (the Fund), to undertake pension expense calculations in respect of pension benefits provided by the Local Government Pension Scheme (the LGPS) to employees of Newark & Sherwood District Council (the Employer) as at 31 March 2022. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

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

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

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

This report is prepared in accordance with our understanding of IAS19 and complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

The figures disclosed are in respect of the Employer's pension obligations under the LGPS as at 31 March 2022.
This report should be read in conjunction with the post accounting date briefing note for disclosures as at 31 March 2022.
We have not made any allowance for IFRIC14 in our calculations. We would be happy to speak to the Employer or their auditor if more information is required.

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

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

M Paton

Matthew Paton FFA
Senior Consulting Actuary

Additional notes

With regards to the scheduled contributions section of this report, Newark & Sherwood District Council have agreed with the administering authority that they will prepay their monetary contributions for the three years to 31 March 2023 by making a single lump sum payment of £2,235,000 by 30 April 2020.

Data used

We have used the following items of data which we received from the administering authority:

31 March 2019	- results of the previous funding valuation
31 March 2021	- results of the latest IAS19 report
n/a	- actual Fund returns to
31 December 2021	- Fund asset statement
31 March 2022	- Fund income and expenditure items (estimated where necessary) to
31 March 2022	- Employer income and expenditure items (estimated where necessary) to
31 March 2022	- details of any new unreduced early retirement payments in respect of the Employer to
31 March 2022	- details of any settlements to/from the Employer for the period to

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

Employer membership statistics

The table below summarises the membership data at 31 March 2019 for members receiving funded benefits, and as at 31 March 2020 for any members receiving unfunded benefits.

Member data summary	Number	Salaries/Pensions £000s	Average age
Actives	522	12,671	45
Deferred pensioners	773	1,662	47
Pensioners	700	3,930	71
Unfunded pensioners	100	197	80

Employer payroll

The total pensionable payroll and projected payroll for the Employer is set out below and is based on information provided to us by the administering authority. This has been used to calculate the service cost and projected service cost respectively.

Estimated payroll for the year to 31 March 2022	£14,190,000
Projected payroll for the year to 31 March 2023	£14,498,000

Scheduled contributions

The table below summarises the minimum employer contributions due from the Employer to the Fund over this inter-valuation period. The Employer may pay further amounts at any time. Future contributions may be adjusted on a basis approved by us.

The calculated cost of accrual of future benefits is 17.5% of payroll p.a.

Minimum employer contributions due for the period beginning	1 Apr 2020	1 Apr 2021	1 Apr 2022
Percent of payroll	17.5%	17.5%	17.5%
plus monetary amount (£000s)	771	800	829

Funding approach

The Employer currently participates in the Newark & Sherwood District Council pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2019 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2022 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of the combined membership of the pool.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2022 is estimated to be 6.32%. The actual return on Fund assets over the year may be different.

The Employer's share of the assets of the Fund is approximately 1.96%.

The estimated asset allocation for the Employer at 31 March 2022 and 31 March 2021 is as follows (noting that due to rounding they may not total 100%):

Asset breakdown	31 Mar 2022		31 Mar 2021	
	£000s	%	£000s	%
Equities	78,160	62%	78,518	65%
Gilts	3,983	3%	4,073	3%
Other bonds	9,282	7%	8,308	7%
Property	14,535	11%	12,383	10%
Cash	7,254	6%	5,512	5%
Inflation-linked pooled fund	6,380	5%	5,865	5%
Infrastructure	6,944	5%	6,556	5%
Total	**126,538**	**100%**	**121,215**	**100%**

The table below sets out the percentages of the Fund's assets held in each asset class at 31 December 2021 (split by those that have a quoted market price in an active market, and those that do not).

Asset breakdown		31 December 2021	
		% Quoted	% Unquoted
Fixed Interest Government Securities	UK	3%	-
	Overseas	-	-
Index Linked Government Securities	UK	-	-
	Overseas	-	-
Corporate Bonds	UK	2%	-
	Overseas	5%	-
Equities	UK	20%	0%
	Overseas	37%	-
Property		-	11%
Private Equity		-	3%
Infrastructure		-	5%
Unit trust		-	1%
Unit Trust Infl Linked		-	5%
Credit		-	3%
Cash/Temporary Investments		-	3%
Total		**68%**	**32%**

We do not have any further detail on the current asset allocation of the Fund; we suggest that if further information is required the administering authority is contacted in the first instance.

Actuarial methods and assumptions

Details of the actuarial methods and derivation of the assumptions used can be found in the 31 March 2022 briefing note issued alongside this report unless noted otherwise below. The key assumptions used are set out below.

The financial assumptions have been set with consideration of the duration of the Employer's past service liabilities, estimated to be 20 years.

Post retirement mortality	31 Mar 2022	31 Mar 2021
Base table	S3PA	S3PA
Multiplier (M/F)	110% / 105%	110% / 105%
Future improvements model	CMI_2020	CMI_2020
Long-term rate of improvement	1.25% p.a.	1.25% p.a.
Smoothing parameter	7.5	7.5
Initial addition parameter	0.5% p.a.	0.5% p.a.
2020 weight parameter	25%	25%

Life expectancy from age 65 (years)		31 Mar 2022	31 Mar 2021
Retiring today	Males	21.6	21.6
	Females	24.3	24.3
Retiring in 20 years	Males	23.0	22.9
	Females	25.8	25.7

Financial assumptions	31 Mar 2022 p.a.	31 Mar 2021 p.a.	31 Mar 2020 p.a.
Discount rate	2.60%	2.00%	2.35%
Pension increases (CPI)	3.20%	2.80%	1.90%
Salary increases	4.20%	3.80%	2.90%

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We have allowed for actual pension increase experience for the period from 2021-2022. This assumes that pension increases are in line with the annual pension increases set by the HM Treasury Revaluation Order.

Financial assumptions used for remeasurements

The Employer's assets and defined benefit obligation have been remeasured throughtout the accounting period at one or more settlement/curtailment event date, in line with the requirements under IAS19. The financial assumptions used to calculate the results at each remeasurement date are set out below. These have been derived consistently with the assumptions adopted at 31 March 2021.

Remeasurement date	Discount rate % p.a.	Pension increases (CPI) % p.a.	Real discount rate % p.a.
31 March 2021	2.00%	2.80%	-0.80%
13 April 2021	1.90%	2.75%	-0.85%
31 March 2022	2.60%	3.20%	-0.60%

Past service costs

Past service costs arise as a result of introduction or withdrawal of, or changes to, member benefits. For example, an award of additional discretionary benefits to a member such as added years by a member would be considered a past service cost. We are not aware of any additional benefits which were granted over the year ending 31 March 2022.

Curtailments

Over the year, we understand that one former employee became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £90,000. This figure has been included within the service cost in the statement of profit and loss.

Settlements

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

Results

Net pension asset in the statement of financial position as at	31 Mar 2022 £000s	31 Mar 2021 £000s	31 Mar 2020 £000s
Present value of the defined benefit obligation	211,102	213,871	168,822
Fair value of Fund assets (bid value)	126,538	121,215	99,844
Deficit / (Surplus)	**84,564**	**92,656**	**68,978**
Present value of unfunded obligation	2,281	2,429	2,379
Unrecognised past service cost	-	-	-
Impact of asset ceiling	-	-	-
Net defined benefit liability / (asset)	**86,845**	**95,085**	**71,357**

The amounts recognised in the profit and loss statement	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Service cost	7,032	6,528
Net interest on the defined liability / (asset)	1,826	1,627
Administration expenses	58	48
Total loss / (profit)	**8,916**	**8,203**

Remeasurement of the net assets / (defined liability) in other comprehensive income	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Return on Fund assets in excess of interest	5,311	19,994
Other actuarial gains / (losses) on assets	-	-
Change in financial assumptions	9,692	(44,510)
Change in demographic assumptions	-	1,904
Experience gain / (loss) on defined benefit obligation	(522)	2,225
Changes in effect of asset ceiling	-	-
Remeasurement of the net assets / (defined liability)	**14,481**	**(20,387)**

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening defined benefit obligation	**216,300**	**171,201**
Current service cost	6,942	6,324
Interest cost	4,112	3,244
Change in financial assumptions	(9,692)	44,510
Change in demographic assumptions	-	(1,904)
Experience loss/(gain) on defined benefit obligation	522	(2,225)
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(5,659)	(5,760)
Past service costs, including curtailments	90	204
Contributions by Scheme participants and other employers	921	874
Unfunded pension payments	(153)	(168)
Closing defined benefit obligation	**213,383**	**216,300**

Reconciliation of opening & closing balances of the fair value of Fund assets	Year to 31 Mar 2022 £000s	Year to 31 Mar 2021 £000s
Opening fair value of Fund assets	**121,215**	**99,844**
Interest on assets	2,286	1,617
Return on assets less interest	5,311	19,994
Other actuarial gains/(losses)	-	-
Administration expenses	(58)	(48)
Contributions by employer including unfunded	2,675	4,862
Contributions by Scheme participants and other employers	921	874
Estimated benefits paid plus unfunded net of transfers in	(5,812)	(5,928)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	**126,538**	**121,215**

Sensitivity analysis	£000s	£000s	£000s
Adjustment to discount rate	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	209,225	213,383	217,628
Projected service cost	6,253	6,435	6,622
Adjustment to long term salary increase	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	213,752	213,383	213,017
Projected service cost	6,439	6,435	6,431
Adjustment to pension increases and deferred revaluation	**+0.1%**	**0.0%**	**-0.1%**
Present value of total obligation	217,230	213,383	209,611
Projected service cost	6,620	6,435	6,254
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**- 1 Year**
Present value of total obligation	223,340	213,383	203,894
Projected service cost	6,722	6,435	6,159

Projected pension expense	Year to 31 Mar 2023 £000s
Service cost	6,435
Net interest on the defined liability / (asset)	2,223
Administration expenses	58
Total loss / (profit)	**8,716**
Employer contributions	**2,538**

These projections are based on the assumptions as at 31 March 2022, as described earlier in this report. The figures exclude the capitalised cost of any early retirements or augmentations which may occur after 31 March 2022.

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AUDIT & ACCOUNTS COMMITTEE
27 APRIL 2022

UNDERLYING VALUATION ASSUMPTIONS FOR 2021/2022 STATEMENT OF ACCOUNTS

1.0 Purpose of Report

1.1 To provide Members with information regarding the assumptions made by the Valuers in calculating the figures to be reported in the 2021/22 Statement of Accounts, as per the revaluation model approach taken by the Council under IAS 16 (International Accounting Standard 16 – Property, Plant and Equipment).

2.0 Introduction

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

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

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

2.4 The Council appointed an external valuation consultant, Wilks Head and Eve, who performed the independent valuation of the list of assets. Attached at **Appendix A** is their valuation report, on assets excluding the Council Dwellings, which includes all their assumptions used to ascertain a valuation figure.

2.5 The list of assets, excluding the Council Dwellings, which have been identified for revaluation during 2021/22 is attached at **Appendix B**.

2.6 The Council's dwelling assets are revalued every year due to the volatility and the group value of the assets nature. Each financial year a desktop review will be undertaken to account for the changes in the valuations, however once every five years a full revaluation will take place on a beacon basis. Financial year 2021/22 is the final year for a desktop review as the last full revaluation took place in 2017/18. Attached at **Appendix C** is their valuation report which includes all their assumptions used to ascertain a valuation figure.

3.0 RECOMMENDATION

Members note and approve the assumptions used in the calculation of asset valuation figures for 2021/2022.

Background Papers
Nil
For further information please contact Andrew Snape on extension 5532.
Sanjiv Kohli

Deputy Chief Executive/Director – Resources and S151 Officer

Valuation Report

IN RESPECT OF VALUATION OF LAND AND PROPERTY ASSETS FOR

NEWARK & SHERWOOD DISTRICT COUNCIL

2021/22 FINANCIAL PERIOD

Issued On: 19/04/2022

Valuation Date: 31/03/2022

Wilks Head & Eve LLP, Third Floor, 55 New Oxford Street, London, WC1A 1BS

Gharbord@wilks-head.co.uk

WILKS HEAD & EVE
CHARTERED SURVEYORS AND TOWN PLANNERS

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to the valuation of the properties identified by the Authority under the revaluation programme for the 2021/22 financial period.

The purpose of this Valuation Report is to provide valuations for financial reporting purposes.

We confirm that this work has been undertaken in an impartial and independent manner and the results have not been influenced by the Authority.

The Valuer has arrived at their opinion of Current Value and Fair Value from referring to recent comparable market transactions.

For Specialised properties, the Current Value has been derived using Depreciated Replacement Cost methodology.

We have advocated a clear and transparent valuation process to provide valuations as part of the adoption of IFRS compliant accounting process.

We have set out the detailed methodology adopted within this report to allow the client Authority, its lead officers, and the external auditors to follow the way in which we undertook the process.

This signed valuation report is the ultimate result of this instruction.

Valuation data has also been provided in a digital and summarised format. This data forms an integral part of this valuation process and separately identifies each asset valued.

All extract or summary data provided for management information should be read in conjunction with the assumptions contained in the CIPFA Code, the RICS Valuation Standards and our Valuation Report.

PROCESS

The Valuer and the Authority agreed a process timetable:

- Determination of valuation assumptions
- Data collection
- Inspection protocol
- Valuation and initial reporting date
- Consideration of process and final reporting process
- Contingency timetable for process slippage
- Audit Support methodology and timescales

SECTION ONE - INTRODUCTION

In this case, it was possible to work with lead officers within the Authority to achieve these process outputs.

Our draft valuation results were forwarded to the Authority in advance of the final report and this allowed a review process between the Authority and the Valuer to take place.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

- G S C Harbord MA MRICS IRRV (Hons), RICS Registered Valuer, Partner

The report was subject to the internal audit by our in house RICS qualified Partner:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV.

We confirm that all surveyors involved in the instruction are RICS Registered Valuers have complied with the requirements of PS1 and PS2.

We also confirm that all surveyors are suitably qualified and experienced for the purposes of the instruction and have sufficient current local and national knowledge of the markets applicable to the assets valued within this report in addition to the necessary skills and understanding to undertake the valuations competently.

Wilks Head & Eve LLP have been carrying out Asset Valuations for financial reporting purposes since 2018 for Newark & Sherwood District Council and we can confirm that we are independent from the Authority and 'external Valuers' in this instance.

Wilks Head & Eve LLP work within the RICS Rules of Conduct as a regulated firm and members and have procedures in place for identifying conflicts of interest and can confirm there is no such conflict in this instance with either the properties valued, the client, or because of any wider relationship.

Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with the RICS Valuation Global Standards. To confirm, we understand that the use of a consistent Valuer over a long period of time may lead to over familiarity which may lead to potential objectivity issues. We both rotate Valuers within in line with the Standards and have implemented internal valuation policies and practices to minimise and mitigate this point.

We can also confirm that in relation to Wilks Head & Eve LLP previous financial year the proportion of total fees paid by Newark & Sherwood District Council to the total fee income of Wilks Head & Eve LLP would be considered minimal (i.e. less than 5%).

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

Client: Newark & Sherwood District Council

Client Address: Council Offices, Castle House, Great N Road, Newark on Trent, Newark, NG24 1BY

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Contact: Andrew Snape

No other parties other than the client may rely upon the valuation information provided.

PURPOSE OF THE VALUATION

Wilks Head & Eve LLP have completed valuations of assets selected for valuation by the Authority as per their relevant program.

These assets are located within the Authorities general fund portfolio and are listed in full within the separately appended ‘reporting summary’ document.

The valuations supplied have been prepared specifically to meet financial reporting requirements and should not be used in any other context.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where Existing Use Value may differ from Market Value a comment has been provided within the individual valuation.

IDENTIFICATION OF ASSETS TO BE VALUED

The Authority determined that certain assets required revaluation.

These included both freehold and leasehold assets under the following groupings:

- Assets which were due for revaluation under a determined revaluation cycle

If any value significant changes occur to assets held within the portfolio after this report is prepared, and a valuation is required, it may be that a separate valuation and report will need to be completed – usually in the form of a Material Change Report.

DATE OF VALUATION

Further to instructions from the client we have agreed to report the valuations at the following valuation date:

- 31st March 2022

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

EXTENT OF INVESTIGATION

Further to the instructions from the Authority we have inspected selected assets as part of this exercise.

The inspections were completed between the 25th and 28th February 2022.

Assets which require a valuation are inspected at intervals of no more than five years as outlined within section '4.1.2 Accounting requirements' of the CIPFA Code.

SOURCES OF INFORMATION

For the purposes of this report the Valuer has had to rely upon information regarding the properties provided to us by the Authority and the valuations are dependent on the accuracy of the information supplied and / or the assumptions made.

Information supplied by the Authority includes:

- List of assets requiring a valuation
- Site and Floor Plans
- Floor and Site areas
- Tenure Details
- Rental Schedule

In addition, the Valuer has completed additional research in relation to the portfolio from our own records in addition to other third-party resources including, Egi, Focus, Rightmove, regional market reports, local agents, and BCIS cost data.

If this information proves to be incorrect or inadequate, then they could affect the accuracy of the valuations. It is assumed that these floor areas meet the requirements of the RICS professional statement – RICS property measurement which incorporates IPMS.

The Valuer has not inspected all Title Deeds or any Planning Consents, Statutory Notices, licenses, or other documents relating to the properties (except where indicated). We cannot therefore comment upon the possible effect of any outstanding Statutory Notices, or any contravention of any statutory requirements, or the effects of the Defective Premises Act (1972).

IFRS 13 FAIR VALUE – INVESTMENT AND SURPLUS ASSETS

Authorities shall account for investment property in accordance with IAS 40 Investment Property and should be valued to 'Fair Value'.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

The objective of this measurement approach is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under the current market conditions.

In addition to arriving at the 'Fair Values' for the assets, IFRS 13 seeks to increase consistency and comparability within the valuation process which has been achieved through a 'Fair Value hierarchy'.

The hierarchy categorises the inputs used in to three levels and the Fair Value category is applied based on whether the Valuer has used more observable or unobservable inputs within the valuation.

In the case of the Authority there are no assets which have been categorised as either Investment Properties or Surplus assets. Therefore, no assets have been valued at Fair Value.

VALUATION BASIS

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom ('The CIPFA Code') – 2021/22.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective 31 January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019)

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards 2017: UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

This UK Valuation Practice Guidance Application sets out the basis of value for all property assets in line with the CIPFA Code.

Apart from infrastructure, community assets and assets under construction, the Code sets out that the basis of value for all property, plant and equipment assets is to be current value.

There are four measurement approaches to calculating current value in the Code:

- **For operational property, plant and equipment:**
    - Existing Use Value (EUV) in accordance with the definitions in UK VPGA 6 and guidance in the Code
    - Existing Use Value – Social Housing (EUV-SH); in accordance with the definition in UK VPGA 7 and guidance in the Code
- **For specialised assets**

  - Depreciated Replacement Cost (DRC) in accordance with UK VPGA 1.5 (see also RICS UK guidance note Depreciated Replacement Cost method of valuation for financial reporting, 1st edition)
- **For surplus assets**
  - Fair Value as defined under IFRS 13 and as adopted by the Code.

Investment Property is to be valued at Fair Value.

Assets Held for Sale are to be valued at the lower of their carrying value and Fair Value as appropriate to the measurement requirements of the Code.

We have provided (where appropriate) Fair Value valuations for these assets and we understand that these will be cross referenced with carrying values held by the client.

Heritage assets are to be measured at valuation (or cost). These valuations may be made by any method that is appropriate and relevant.

Infrastructure, community, and assets under construction are to be measured at historical cost.

For depreciation purposes assets are to be recognised on a component basis, where components have a significant cost in relation to the total cost of the asset.

In practice this can be achieved by separately accounting only for significant components that have materially different asset lives, or where different depreciation methods are used.

The Valuer's role is to provide assistance on the identification and classification of assets and, essentially, to provide the Current Value or Fair Value of those assets.

No allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.

VALUATION APPROACH AND REASONING

A) Property, Plant & Equipment (PPE) Assets

- Current Value – EUV
  - In respect of Operational, Non-Specialised Properties, classified as PPE assets, the Current Value has been interpreted as the amount that would be paid for the asset in its existing use. The Valuer has met this requirement by providing a valuation based on EUV in accordance with UK VPGA 6.
  - EUV is defined in the Red Book under UK VPGA 6 as:
  - 'The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without

compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'

- For these purposes EUV ignores any element of hope value for an alternative use or any value attributable to good will.
- EUV assets have been valued, with reference to market-based evidence, via the comparative method of valuation via the Market (comparative method) or Income (profits method) approaches.
- Further to our instructions for assets valued under a EUV approach; the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. It is important to note that the apportionments are provided solely for accounting purposes and do not represent formal valuations of the separate elements. They should not be relied upon for any other purpose.
- Where EUV may be materially different to MV a comment has been provided within the individual valuation sheet.

- Current Value – DRC
  - In respect of specialised properties, the Valuer has adopted the DRC method of valuation to assess Current Value in existing use.
  - The Valuer has provided these valuations in accordance with the Red Book under; UK VPGA 1. 5 in addition to Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
  - DRC is defined as:
  - 'The current cost of replacing an asset with its modern equivalent less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.'
  - For each asset valued under the DRC approach the Gross Replacement Cost (GRC) of providing a new modern equivalent asset has been assessed.
  - This GRC has then been adjusted to reflect obsolescence to arrive at the Net Replacement Cost.
  - Unless specifically noted within the valuation it has been agreed with the client that the current floor areas of the assets valued are representative of the modern equivalent asset for these purposes.
  - Replacement costs have been arrived at with reference to the RICS BCIS Cost guides which are published by the RICS and have been adopted relevant to the valuation date.
  - An additional allowance has been reflected within the valuation for the Externals element which has been applied on a per property basis based on an analysis of construction projects within the RICS BCIS database.
  - Depreciation & Obsolescence
    - The Valuer has determined an appropriate scaling for depreciation which relates to the physical deterioration, function, and other economic factors for each asset valued.

- The Valuer, with reference to the 'Red Book', IFRS and the CIPFA Code, has adopted a reducing balance approach in applying obsolescence to assets valued on a DRC basis assuming an initial asset life of 60 years.
- Under this methodology, a form of straight-line depreciation occurs over the first 25 years of the asset life from construction date (with no deferral period).
- This shift in application of obsolescence once the 25-year period is reached represents our professional judgement as to where physical deprecation rates of certain components are at their limit and an assumption is that routing repair and maintenance would be carried out. This expected future repairs and maintenance through capital expenditure prolongs the physical depreciation of the assets within the portfolio.
- However, these assets continue to become physically, functionally, and economically obsolete, so the calculation applied based on 'age' and 'life' ensures obsolescence still increases but at a slower rate past the soft threshold.
- Therefore, after 25 years depreciation continues to be applied at a reducing rate.
- The 25-year timeframe has been determined via a professional judgement informed by our componentisation research as is considered appropriate and reflective in this instance.
- This approach represents our professional judgement as an appropriate measure of application for assets operated within a Public Sector portfolio wherein initial expected asset lives are often extended via capital expenditure.
- This approach is also in line with the reducing balance guidance outlined within the Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
- Discussions are held with the clients on quality and condition of assets which are cross referenced with our inspection findings (where appropriate).
- In conjunction with the above it is important to note that each asset valued is assessed separately and a 'stand back and look' approach adopted.
- In some cases, because of this review it has been agreed that a higher or lower percentage should be applied based on individual circumstances.
- Examples of these variations would include assets where there are known structural defects or assets which have been subject to comprehensive refurbishment or assets which are technologically obsolete or have timeframes for demolition.

- Land Values
  - The Valuer arrived at the land values with reference to Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
  - Specific reference has been made to: 'Section 7 – The site value of a specialised property' and this has been taken into consideration.
  - The land calculation has therefore been arrived at via two separate calculations, one for the developed land area and one for the un-developed land area (where appropriate).

        - In line with this guidance the Valuer has arrived at its estimate of the developed land area based on what it may cost to acquire each site in the market at the relevant valuation date.
        - This may be based on EUV, estimating the cost of purchasing a notional replacement site in the same locality on the basis that the site is suitable.
        - Where the site is determined to be too specialised in market terms the Valuer has referred to the potential range of uses which are appropriate for the locality of that site.
        - For these purposes it was agreed with the client that the modern equivalent assets would remain on the current site in relation to the developed areas.
        - This estimate varies dependent on the location of each asset and as outlined within the guidance there are practical difficulties in determining from what planning use it is appropriate to draw the sales comparison and it may mean that a potential service purchaser would need to compete with other potential alternative uses for the land.
        - The resulting conclusion is that the Valuer has established, in their professional view, what is the most appropriate amount that a prudent purchaser would pay to acquire a site for an equivalent development in a relevant location at the valuation date.
        - For un-developed land areas, predominately comprising Playing Fields or areas of amenity land, the Valuer has provided the value (where appropriate) based on their professional opinion of prevailing amenity land values for the location at the valuation date as outlined within the Depreciated replacement cost method of valuation for financial reporting, 1st Edition (November 2018).
    - DRC Valuations are subject to the prospect and viability of the continued occupation and use.
    - Due to the specialised nature of these properties the value estimated using the DRC method is not based on the evidence of sales of similar assets in the market.
    - See paragraph below in the Departures section in relation to “Instant Build”.

B) Investment, surplus and assets held for sale.

- Fair Value
    - In respect of Investment, surplus and assets held for sale the valuations have been reported using the IFRS 13 definition which is set out in the Red Book under VPS 4 Paragraph 7, Fair Value as:
        - ‘The Price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date.’
    - But while fair value for financial reporting, whether under IFRS or under UK GAAP, is defined using slightly different language from that in the IVS market value definition (see VPS 4 section 4), the underlying concept is essentially the same.
    - In most cases the figure to be reported as the fair value of an asset is also that which would be reported as its market value.
    - VPS 4 section 4 which defines Market Value as:

- 'The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'
- Where appropriate for assets valued to Fair Value (surplus assets) the gross value has been apportioned between land and building elements (residual and depreciable). Remaining useful life elements have also been provided for each asset. It is important to note that the apportionments are provided solely for accounting purposes and do not represent formal valuations of the separate elements. They should not be relied upon for any other purpose.

C) Social Housing

- Where housing held for social housing purposes are held within the general fund portfolio these have been valued to Current Value via the Existing Use Value for Social Housing (EUV-SH) basis as defined within UK VPGA 7.

Full valuation definitions are included within Section 3 of this report.

DEPARTURES

In addition to the above commentary in relation to the DRC method of valuation it should be noted that that paragraph 4.1.2.7 of the Code sets out that Valuers should adopt the 'instant build' approach when producing DRC valuations and states that:

- 'Where DRC is used as the valuation methodology, authorities should use the "instant build" approach at the valuation date.'

The 'instant build' approach means that finance costs are excluded from the valuation.

The Red Book does provide guidance on this issue within section 1.5 of DRC method of valuation for financial reporting, 1st Edition:

- 'where DRC is used for valuations in the public sector, there may be specific requirements within the rules governing those valuations that amend specific parts of this guidance. Such specific requirements take precedence over this guidance note'.

This departure note would allow the Valuer to amend the defined DRC valuation method.

Further to the above and general auditor's comments we have received we have provided these valuations on the instant build approach.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IMPAIRMENT

As a consequence of the valuation process, we are aware that our valuation opinion is providing a revaluation of existing properties already contained and included within your asset portfolio for capital accountancy purposes.

The valuation procedures place a requirement upon the independent external Valuer to comment upon any value significant effects which may have influenced values in the area since the last valuation process over and above the general movements in the marketplace.

In particular, an emphasis is placed to note any “Trigger” events which may have affected value in a drastic or unexpected way. These events may lead to a general “impairment” or indeed “betterment” in values for your portfolio, or specific elements therein.

The review process for the Valuer in these terms places a duty to review whether the proportion of the portfolio, not valued directly, has been affected by impairment and not addressed otherwise since our, or others, last valuation, or market review.

We carry out Market Reviews on 31st March in each year (closing book date), if required by the Authority, which covers this aspect and therefore these elements are not specifically covered within the report unless noted within the individual valuation.

However, for this report it is worth noting that following the EU referendum held on 23 June 2016 concerning the UK’s membership of the EU, a decision was taken to exit.

At the time of preparing this commentary, the UK has now officially left the EU and the transition period has come to an end as of 31st December 2020.

Whilst the deal provides a more certain position in relation to the UK’s future relationship with the EU the full implications of the deal will take some time to realise.

We therefore remain in a period of uncertainty in relation to many factors that impact the construction markets and costs associated with this market.

In any event we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

In addition:

The outbreak of COVID-19, declared by the World Health Organisation as a “Global Pandemic” on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.

Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.

COMPONENTISATION

The Valuer has provided componentised valuations within the report.

The CIPFA Code provides a useful description to the concept of component accounting:

IAS16 says "each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately".

The application of accounting for components applied from 1st April 2010.

The Valuer has analysed as much comparable build cost data applicable to the portfolio as possible.

The approach assumed that the costs for a particular build type when analysed would allow the Valuer to identify suitable major components present in assets represented within the Local Authority portfolio.

At the outset, the Valuer has sought to determine the components, the percentage attributable to that component of overall building cost, and the relative lifespan of that component over which to depreciate for each class of property type valued in the portfolio.

The resulting information, presented as a representative "Beacon", has then been applied to all similar properties within the portfolio and a suitable analysis carried out to determine a policy for what constitutes a "major component" and to inform the level of materiality at a component level.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

As a result of the investigations, it was not always possible to use actual build cost data from the specific Local Authority portfolio. The Valuer has been able to gather relevant data from WHE's existing client portfolio, which includes other Local Authorities, but took the view that it was more reliable to use information from the Building Cost Information Service of RICS (BCIS) which has provided specific build cost data already analysed on a common approach for comparable property types within England and Wales.

As a result of the analysis the Valuer has been able to apply several componentisation property descriptions to the portfolio. For each of these property descriptions, a beacon property summary has been produced.

The analysis of data has resulted in new build property evidence to represent components by percentage of the overall assets and full life estimates for those components where appropriate.

The full life estimates for these key components have been determined from the information provided by market manufacturers, client data supplied for this purpose and from our research in the BCIS costing indices.

This approach is in line with the outline approaches within the IFRS, CIPFA and RICS guidance.

ADDITIONAL COMMENTS

It may be that further report(s) and valuations are necessary to reflect any in year changes to assets within the portfolio not valued and covered by this report to ensure that carrying figures are appropriate for the final day of the accounting period, 31st March 2022.

These circumstances may include material changes and new acquisitions and if required would be reported separately to this report.

AUDIT SUPPORT

We expect that as part of the valuation process, we will be required to provide certain additional explanation and assistance to the Authority where the process will be subject to audit.

WILKS HEAD & EVE

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

SPECIAL ASSUMPTIONS

We are not aware of any special assumptions.

ASSUMPTIONS

- **Planning Proposals**
  We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.

- **Construction and State of Repair**
  Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.

  We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.

  No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.

  Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.

- **Hazardous or Deleterious Materials**
  We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report, we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.

- **Contaminated Land**
  We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking

our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.

Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.

- **Plant and Machinery**
  Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.

- **Lotting**
  Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if several properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.

- **Taxation**
  No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).

- **Acquisition and Disposal Costs**
  No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

  For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependent on the overall value of the asset and property type on an acquisition or disposal, respectively.

  The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

  The Valuer has not been asked by the client to specifically reflect these costs separately. Guidance on this matter is provided within UKVS 1 Paragraph 1.7 - Costs to be excluded of the Red Book:

  - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.
  - In determining the figure to enter into the balance sheet (the 'carrying amount'), FRS 15 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.
  - FRS 15 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.
  - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- **Energy Performance Certificates**
  In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.

  This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.

  Since 26th March 2015, the minimum energy efficiency standard (MEES) has been introduced.

  This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.

  From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.

  Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.

  For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.

- **Deminimis Levels of Value**
  Only those properties the value of which is considered likely to exceed the "deminimis" level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

AUDIT COMMENTARY

Our valuation methodology and assumptions evolved from ongoing instructions since 1992 when the current accounting requirements were introduced.

Our working processes are audited through our external consultants Certification International UK Ltd on an annual basis to achieve our ISO 9001:2008 accreditation.

The valuation report and results are reviewed by the client accountant and estates teams before we issue the final version of the report.

NON-PUBLICATION CLAUSE

Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the previous written approval of Wilks Head and Eve as to the form and context in which it may appear.

Our letter of consent will be given when a final proof of the document is available, and the consent will refer to a specimen annexed and signed as identification of what has been approved.

As such publication of, or reference to, this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

This report is provided for the stated purpose and for the sole use of the named client and their professional advisors and the Valuer accept no responsibility whatsoever to any other person.

VALUATION DEFINITIONS

Full definitions are outlined below:

Definition of Existing Use Value (EUV) – UK VPGA6 Local authority and central government accounting: existing use value (EUV) basis of value

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

Valuations based on EUV should adopt the following definition:

'The estimated amount for which a property should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the asset required by the business, and disregarding potential alternative uses and any other characteristics of the asset that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'

1. Existing use value (EUV) is to be used only for valuing property that is owner-occupied by an entity for inclusion in financial statements. The definition of EUV is taken from the wording of the market value definition with one additional assumption and a further requirement to disregard certain matters. In practical terms, the definition of existing use value can be seen generally to accord with the conceptual framework of VPS 4, but with the following supplementary commentary:

2. **'…the buyer is granted vacant possession …'**
   The assumption that vacant possession would be provided on acquisition of all parts of the property occupied by the business or 'reporting entity' does not imply that the property would be empty, but simply that physical and legal possession would pass on completion. Any parts of the property occupied by third parties should be valued subject to those occupations. Properties occupied by employees, ex-employees, or their dependants should be valued with regard to the circumstances of their occupation, including any statutory protection. This assumption also means that it is not appropriate to reflect any possible increase in value due to special investment or financial transactions (such as sale and leaseback), which would leave the owner with a different interest from the one that is to be valued. In particular the covenant of the owner-occupier must be ignored.

3. **'…of all parts of the property required by the business …'**
   If parts of the property are unused and are surplus to the operational requirements of the business, their treatment will depend on whether they can be sold or leased separately at the valuation date. If they can be occupied separately, they should be allocated to a separate category as surplus property and valued on the basis of market value. If separate occupation is not possible, any surplus parts would have no more than a nominal EUV, as they would contribute nothing to the service potential of the property and would not feature in a replacement at least cost.

4. **'…disregarding potential alternative uses …'**
   'Existing use', in the context of EUV, means that the valuer should disregard uses that would drive the value above that needed to replace the service potential of the property. An entity seeking to replace this potential at least cost will not buy a property if its value has been inflated by bids from other potential occupiers for whom the property has greater value because of alternative uses or development potential that are irrelevant to its own requirements.
   The valuer should therefore ignore any element of 'hope value' for alternative uses that could prove more valuable. However, it would be appropriate to take into account any value attributable to the possibility of extensions or further buildings on undeveloped land, or redevelopment or

refurbishment of existing buildings, providing that these would be required and occupied by the entity, and that such construction could be undertaken legally and without major interruption to the current operation.

5. **'…disregarding … any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.'**
   There are circumstances where it may be appropriate for the valuer to ignore factors that would adversely affect the market value, but would not be characteristic of a replacement. Examples include:

   - where an occupier is operating with a personal planning consent that could restrict the market in the event of the owner vacating
   - where the occupier holds the property under a lease and there are lease covenants that impose constraints on assignment or alternative uses
   - where a property is known to be contaminated, but the continued occupation for the existing use is not inhibited or adversely affected, provided there is no current duty to remedy such contamination during the continued occupation
   - where an industrial complex is overdeveloped, and the extra buildings have either limited the market value or detracted from it, but would need to be replaced to fulfil the service potential to the business
   - where the existing buildings are old and so have a limited market value, but would have a higher replacement cost to the business
   - where the property is in an unusual location, or is oversized for its location, with the result that it would have a low market value, but where the cost of replacing the service potential would be significantly greater and
   - where the market is composed solely of buy-to-let investors, but the valuer believes that the replacement cost (the price agreed between a willing vendor and willing owner-occupier purchaser) would be higher.

6. Any value attributable to goodwill should normally be ignored.

7. The fact that a large property may be in single occupation does not necessarily mean that it has to be valued on the assumption that only bids from other potential occupiers for the whole can be taken into account. If the property is one where a higher value would be generated by the potential to divide it into smaller units for the existing use, this should be reflected in the valuation.

8. Many market valuations are based on the existing planning use of the property, which often, but not invariably, generates the highest value. Such valuations have sometimes been described as 'existing use valuations'. However, this is incorrect and they should properly be expressed as market values.
   It is emphasised that EUV is only to be used when valuing property that is occupied by the owners of the interest being valued for the purpose of their business, for inclusion in financial statements.

SECTION THREE – VALUATION ASSUMPTIONS AND DEFINITIONS

Definition of Fair Value (VPS 4 Section 7)

7.1 Fair value (the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13) is:

- 'The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.'

7.2 The guidance in IFRS 13 includes an overview of the fair value measurement approach.

7.3 The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. It is thus sometimes described as a 'mark to market' approach. Indeed the references in IFRS 13 to market participants and a sale make it clear that for most practical purposes the concept of fair value is consistent with that of market value, and so there would ordinarily be no difference between them in terms of the valuation figure reported.

7.4 A fair value measurement requires an entity to determine all of the following:

- the particular asset or liability that is the subject of the measurement (consistently with its unit of account)
- for a non-financial asset, the valuation premise that is appropriate for the measurement (consistently with its highest and best use)
- the principal (or most advantageous) market for the asset or liability
- the valuation technique(s) appropriate for the measurement, considering the availability of data with which to develop inputs that represent the assumptions that market participants would use when pricing the asset or liability and the level of the fair value hierarchy within which the inputs are categorised.

7.5 Valuers undertaking valuations for inclusion in financial statements should familiarise themselves with the relevant requirements – see also VPGA 1.

Definition of Market Value (VPS 4 Section 4)

Market value is defined in IVS 104 paragraph 30.1 as:

- 'the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

4.1 Market value is a basis of value that is internationally recognised and has a long-established definition. It describes an exchange between parties that are unconnected and are operating freely in the marketplace and represents the figure that would appear in a hypothetical contract of sale, or equivalent legal document, at the valuation date, reflecting all those factors that would be taken into account in framing their bids by market participants at large and reflecting the highest and best use of the asset. The highest and best use of an asset is the use of an asset that maximises its productivity and that is possible, legally permissible and financially feasible – fuller treatment of this particular premise of value can be found at section 140 of IVS 104.

4.2 It ignores any price distortions caused by special value (an amount that reflects particular attributes of an asset that are only of value to a special purchaser) or marriage value. It represents the price that would most likely be achievable for an asset across a wide range of circumstances. Market rent (see below) applies similar criteria for estimating a recurring payment rather than a capital sum.

4.3 In applying market value, regard must also be had to the requirement that the valuation amount reflects the actual market state and circumstances as of the effective valuation date. The full conceptual framework for market value can be found at paragraph 30.2 of IVS 104.

4.4 Notwithstanding the disregard of special value, where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the asset in the future, the impact of that expectation is reflected in market value. Examples of where the expectation of additional value being created or obtained in the future may have an impact on the market value include:

- the prospect of development where there is no current permission for that development and
- the prospect of marriage value arising from merger with another property or asset, or interests within the same property or asset, at a future date

4.5 The impact on value arising by use of an assumption or special assumption should not be confused with the additional value that might be attributed to an asset by a special purchaser.

4.6 In some jurisdictions a basis of value described as 'highest and best use' is adopted and this may either be defined by statute or established by common practice in individual countries or states.

Definition of Depreciated Replacement Cost – DRC method of valuation for financial reporting, 1st Edition.

2.3 The DRC method is a form of cost approach that is defined in the RICS Valuation – Global Standards 2017 (RB Global) Glossary as:

'The current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.'

2.4 The DRC method is based on the economic theory of substitution. Like the other forms of valuation (market approach, income approach) this cost approach involves comparing the asset being valued with another.

However, DRC is normally used in situations where there is no directly comparable alternative. The comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset (MEA). The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the valuation date.

2.5 In order to assess the price that the potential buyer would bid for the actual asset, valuation depreciation adjustments have to be made to the gross replacement cost of the MEA to reflect the differences between it and the modern equivalent. These differences can reflect obsolescence factors such as the physical condition, the remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset. Land required for the MEA will be separately assessed as described in section 7.

2.6 DRC method of valuation for financial reporting, 1st Edition discusses factors that may need to be taken into account in assessing both the cost of a modern equivalent asset and the valuation depreciation adjustments applied to the actual asset.

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WILKS HEAD & EVE
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Newark and Sherwood District Council

Asset Valuation 31st March 2022

WHE Ref Number	WHE Check	N&SDC Asset Reference	Address	Description	IFRS Categorisation	Valuation Method
8844/21018	8844/21018	B00013B & B00013L	Dukeries Leisure Centre, Main Road, New Ollerton	LEISURE CENTRE	Property, Plant & Equipment	DRC
8844/21032	8844/21032	U00046	Boughton Extra Care Home	AFFORDABLE HOUSING	Property, Plant & Equipment	DRC
8844/21034	8844/21034	B00012B & B00012L	Newark Sports & Fitness Centre, Lord Hawke Way	LEISURE CENTRE	Property, Plant & Equipment	DRC
8844/21036	8844/21036	B01103B & B01103L	Palace Theatre, Appleton Gate, Newark	OTHER	Property, Plant & Equipment	DRC
8844/21001	8844/21001	B00305	Church Street Car Park	CAR PARKS	Property, Plant & Equipment	EUV
8844/21002	8844/21002	B00315	Castle House 1 (Formally Livestock Mkt)	CAR PARKS	Property, Plant & Equipment	EUV
8844/21003	8844/21003	B00324	Castle House 2 Car Park	CAR PARKS	Property, Plant & Equipment	EUV
8844/21004	8844/21004	B00204B & B00204L	Brunel Drive Depot	DEPOTS	Property, Plant & Equipment	EUV
8844/21005	8844/21005	C00314	Land Lincoln Rd, Newark	LAND	Property, Plant & Equipment	EUV
8844/21006	8844/21006	D00053B & D00053L	Shops at Turner Lane	HOUSING SHOPS	Property, Plant & Equipment	EUV
8844/21007	8844/21007	D00054B & D00054L	Shops Beech Ave/Eton Avenue	HOUSING SHOPS	Property, Plant & Equipment	EUV
8844/21008	8844/21008	D00060B & D00060L	Shops Yorke Drive	HOUSING SHOPS	Property, Plant & Equipment	EUV
8844/21009	8844/21009	D00017B & D00017L	Sherwood Forest Craft Centre	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21010	8844/21010	D00052B & D00052L	Sutton on Trent Workshops	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21011	8844/21011	D00068B & D00068L	Burma Road Industrial Units	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21012	8844/21012	D00069B & D00069L	Blidworth Workshops	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21013	8844/21013	D00071B & D00071L	Clipstone Workshops	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21014	8844/21014	D00072B & D00072L	Church Farm Workshops	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21015	8844/21015	D00073B & D00073L	Boughton Advance Factories	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21016	8844/21016	D00074B & D00074L	Clipstone Advance Factories	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21017	8844/21017	D00077B & D00077L	Blidworth Advance Factories	INDUSTRIAL UNITS	Property, Plant & Equipment	EUV
8844/21019	8844/21019	B00903B & B00903L	Southwell Market Place	MARKETS	Property, Plant & Equipment	EUV
8844/21020	8844/21020	B00402B & B00402L	Ollerton Local Office	OFFICES	Property, Plant & Equipment	EUV
8844/21021	8844/21021	B00403B & B00403L	Hawtonville Local Offic	OFFICES	Property, Plant & Equipment	EUV
8844/21022	8844/21022	B00406B & B00406L	Castle House Council Offices	OFFICES	Property, Plant & Equipment	DRC
8844/21023	8844/21023	B00955	Land for Sports Hub	OTHER	Property, Plant & Equipment	EUV
8844/21024	8844/21024	B00956	Land at Lowfield Lane	OTHER	Property, Plant & Equipment	EUV
8844/21025	8844/21025	B01107B & B01107L	Crew Lane Depot	OTHER	Property, Plant & Equipment	EUV
8844/21026	8844/21026	D00384B & D00384L	Sherwood Forest Youth Hostel	OTHER	Property, Plant & Equipment	EUV
8844/21027	8844/21027	D00385B & D00385L	14 Market Place	OTHER	Property, Plant & Equipment	EUV
8844/21028	8844/21028	D00386B & D00386L	The Barn	OTHER	Property, Plant & Equipment	EUV
8844/21029	8844/21029	D00394B & D00394L	The Hollies	OTHER	Property, Plant & Equipment	EUV
8844/21030	8844/21030	B00601L	Seven Hills Hostel	OTHER BUILDING	Property, Plant & Equipment	EUV
8844/21031	8844/21031	C00024B & C00024L	Vicar Water Country Par	PARKS/OPEN SPACES	Property, Plant & Equipment	EUV
8844/21033	8844/21033	B00308	London Road Car Park	CAR PARKS	Property, Plant & Equipment	EUV
8844/21035	8844/21035	B00312	Town Wharf Car Park	CAR PARKS	Property, Plant & Equipment	EUV
8844/21037	8844/21037	00014CHCONKE & 00014CHCONKL	Chatham Court 14	COMMUNITY HUB	Property, Plant & Equipment	EUV

Valuation Report

IN RESPECT OF VALUATION OF PROPERTY ASSETS WITHIN THE HOUSING REVENUE ACCCOUNT

NEWARK & SHERWOOD DISTRICT COUNCIL

2021/22 FINANCIAL PERIOD

Issued On: 19/04/2022

Valuation Date: 31/03/2022

Wilks Head & Eve LLP, Third Floor, 55 New Oxford Street, London, WC1A 1BS

Gharbord@wilks-head.co.uk

WH&E WILKS HEAD & EVE

CHARTERED SURVEYORS AND TOWN PLANNERS

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SECTION ONE - INTRODUCTION

EXECUTIVE SUMMARY

This report refers to Housing Revenue Account (HRA) portfolio valuations carried out for the Authority for accounting purposes for the 2021/22 financial period.

The purpose of this Valuation Report is to provide valuations for financial reporting purposes.

We confirm that this work has been undertaken in an impartial and independent manner and the results have not been influenced by the Authority.

The valuation of property assets held in the HRA is required by the Local Government and Housing Act 1989 Section 74.

Relevant guidance for valuation of Local Authority Housing Stock is confirmed in a publication issued by the DCLG entitled **'Stock Valuation for Resource Accounting Guidance for 2016**'.

Therefore, we have re-valued the stock portfolio by adopting this methodology, notably to include the current Vacant Possession Adjustment Factor.

We have set out the detailed methodology adopted within this report to allow the client Authority, its lead officers, and the external auditors to follow the way in which we undertook the process.

This signed valuation report is the ultimate result of this instruction.

Valuation data has also been provided in a digital and summarised format. This data forms an integral part of this valuation process and separately identifies each asset valued.

All extract or summary data provided for management information should be read in conjunction with the assumptions contained in the DCLG guidance, CIPFA Code, the RICS Valuation Standards and our Valuation Report.

PROCESS

The Valuer and the Authority agreed a process timetable:

- Determination of valuation assumptions
- Data collection
- Inspection protocol
- Valuation and initial reporting date
- Consideration of process and final reporting process
- Contingency timetable for process slippage
- Audit Support methodology and timescales

SECTION ONE - INTRODUCTION

In this case, it was possible to work with lead officers within the Authority to achieve these process outputs.

Our draft valuation results were forwarded to the Authority in advance of the final report and this allowed a review process between the Authority and the Valuer to take place.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

IDENTIFICATION AND STATUS OF THE VALUER

The valuations have been carried out by:

- G S C Harbord MA MRICS IRRV (Hons), RICS Registered Valuer, Partner

The report was subject to the internal audit by our in house RICS qualified Partner:

- A M Williams Dip BSc (Hons) MRICS FIRRV REV.

We confirm that all surveyors involved in the instruction are RICS Registered Valuers have complied with the requirements of PS1.

We also confirm that all surveyors are suitably qualified and experienced for the purposes of the instruction and have sufficient current local and national knowledge of the markets applicable to the assets valued within this report in addition to the necessary skills and understanding to undertake the valuations competently.

Wilks Head & Eve LLP have been carrying out Asset Valuations for financial reporting purposes since 2018 for Newark & Sherwood District Council and we can confirm that we are independent from the Authority and 'external Valuers' in this instance.

Wilks Head & Eve LLP work within the RICS Rules of Conduct as a regulated firm and members and have procedures in place for identifying conflicts of interest and can confirm there is no such conflict in this instance with either the properties valued, the client, or because of any wider relationship.

Wilks Head & Eve LLP operates a Valuer Rotation Policy in accordance with the RICS Valuation Global Standards. To confirm, we understand that the use of a consistent Valuer over a long period of time may lead to over familiarity which may lead to potential objectivity issues. We both rotate Valuers within in line with the Standards and have implemented internal valuation policies and practices to minimise and mitigate this point.

We can also confirm that in relation to Wilks Head & Eve LLP previous financial year the proportion of total fees paid by Newark & Sherwood District Council to the total fee income of Wilks Head & Eve LLP would be considered minimal (i.e., less than 5%).

IDENTIFICATION OF THE CLIENT AND OTHER INTENDED USERS

WH&E have been instructed by

Client: Newark & Sherwood District Council

Client Address: Council Offices, Castle House, Great N Rd, Newark-on-Trent, Newark, NG24 1BY

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Contact: Andrew Snape

No other parties other than the client may rely upon the valuation information provided.

PURPOSE OF THE VALUATION

Wilks Head & Eve LLP have completed valuations of assets selected for valuation by the Authority as per their relevant program.

These assets are located within the Authorities housing revenue account portfolio and are listed in full within the separately appended excel document(s).

The valuations supplied have been prepared specifically to meet financial reporting requirements and should not be used in any other context.

Unless otherwise stated, the assumption has been made that the properties valued will continue to be in the occupation of the Authority for the foreseeable future having regard to the prospect and viability of the continuance of that occupation.

Where Existing Use Value may differ from Market Value a comment has been provided within the individual valuation.

DATE OF VALUATION

Further to instructions from the client we have agreed to report the valuations at the following valuation date:

- 31st March 2022

EXTENT OF INVESTIGATION

Further to the instructions from the Authority this report has been completed on a desktop basis.

Whilst completed on a desktop basis we are content that the information made available to us and our separate investigations have allowed us to complete valuations that are professionally adequate for the purpose.

Assets which require a valuation are inspected at intervals of no more than five years as outlined within section '4.1.2 Accounting requirements' of the CIPFA Code.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

SOURCES OF INFORMATION

For the purposes of this report the Valuer has had to rely upon information regarding the properties provided to us by the Authority and the valuations are dependent on the accuracy of the information supplied and / or the assumptions made.

In addition, the Valuer has completed additional research in relation to the portfolio from our own records in addition to other third-party resources including, Egi, Focus, Rightmove, regional market reports, local agents, and BCIS cost data.

If this information proves to be incorrect or inadequate, then they could affect the accuracy of the valuations. It is assumed that these floor areas meet the requirements of the RICS professional statement – RICS property measurement which incorporates IPMS.

The Valuer has not inspected all Title Deeds or any Planning Consents, Statutory Notices, licenses, or other documents relating to the properties (except where indicated). We cannot therefore comment upon the possible effect of any outstanding Statutory Notices, or any contravention of any statutory requirements, or the effects of the Defective Premises Act (1972).

VALUATION BACKGROUND

Local Authorities are under a statutory duty to account separately for their housing stock and this information is of value not only to Local Authorities but also to a wide range of potential readers of the accounts, both inside and outside central government. The fact that stock valuations appear in the housing revenue accounts ensures that authorities decisions on resource allocation make resource cost apparent. It is essential that all valuations carried out for the purpose of resource accounting are on a consistent basis.

Following the adoption of IFRS 13 by the UK public sector, from 1st April 2015, the basis of valuation for accounting purposes will be Current Value (CV) measured by the adoption of the special assumption of EUV-SH.

The valuations will be subject to annual reviews and full revaluations. Revaluations may be carried out on a rolling programme, covering different parts of the stock each year, or every five years for the whole stock.

The aim of resource accounts in the housing revenue account is to put local authority housing on a business-like footing and to ensure that accounts give a "true and fair view of" the financial position and transactions of the authority. To this end the Valuer has had regard to:

- IFRS (incorporating IFRS 13)
- The CIPFA Code
- The Red Book.

Departures from these standards have been adopted to ensure the objectives are met and details of these variations as they affect the valuation of the property are referred to where appropriate.

Valuations have been carried out in accordance with the Red Book except where they are varied by this guidance to reflect the current policy requirements DCLG.

The beacon method is relatively easily implemented being based upon the market valuation of residential dwellings.

The beacon method is used for no other purpose except the special circumstances of the housing revenue account valuation but is an efficient method of arriving at a representative valuation which enables values to be attributed to large numbers of dwellings comprising a local authority's housing.

PROPERTY CLASSIFICATION

Asset valuations are required for all properties held in the HRA. Section 74 of the Local Government and Housing Act 1989 requires that expenditure and income relating to property specified in that section should be accounted for in the HRA. Guidance on the types of property specified is given in DoE circular 8/95. If we considered that a property is being wrongly held in the housing revenue account, the matter has been raised with the chief finance officer.

VALUATION BASIS

The Valuer has completed the valuation report in accordance with the following guidance relating to asset valuation for capital accounting purposes:

- Chartered Institute of Public Finance and Accounting Code of Practice on Local Authority Accounting in the United Kingdom ('The CIPFA Code') – 2020/21.
- International Financial Reporting Standards (IFRS).
- Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (issued November 2021 and effective 31 January 2022) and the RICS Valuation – Global Standards 2017: UK National Supplement (issued November 2018 and effective from 14 January 2019).
- Department for Communities and Local Government (DCLG) - Stock Valuation for Resource Accounting – Guidance for Valuers – 2016. This sets out the terms of reference and basis of valuation for valuations of this type.

In addition, the Valuer has prepared the valuations in accordance with the RICS Global Standards 2017 UK National Supplement – UK VPGA 4 Valuation of local authority assets for accounting purposes.

This UK Valuation Practice Guidance Application sets out the basis of value for all property assets in line with the CIPFA Code.

SECTION TWO – PURPOSE OF VALUATION AND METHODOLOGY

Property, plant, and equipment, which would be expected to include most residential housing stock assets, is measured at Current Value using the EUV-SH assumption, as defined in UK VPGA 7 and guidance in the Code and DCLG guidance.

The valuation basis for non-housing property which is used or consumed for the delivery of the housing function, e.g., estate shops, is Current Value for the asset in Existing Use – this requirement is met by providing a valuation on the basis of Existing Use Value (EUV) in accordance with UK VPGA 6 and guidance in the Code and DCLG guidance.

These valuation bases represent the service potential of the assets to an Authority and in the case of EUV-SH the delivery of the social housing provider's objectives.

Full definitions of EUV, EUV-SH, DRC, FV and CV are defined by the RICS in 'The Standards'.

Except in the case of properties held for sale, no allowance is made for any costs of sale or any liability for taxation, including VAT, which may arise on disposal.

VACANT POSSESSION ADJUSTMENT FACTOR

EUV-SH reflects a valuation for a property if it were sold; with sitting tenants enjoying occupation at less than open market rentals and Retail Price Index linked increases; where the tenants have additional rights including the Right to Buy, and where the landlord has additional liabilities including insurance, repair, maintenance, and statutory obligations. Therefore, it is necessary to adjust the Beacon Value to reach EUV-SH.

The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level. It is this discount which, when applied to the cumulative total of all beacon values, gives rise to the EUV-SH.

Although a preferred adjustment factor could be derived from a ratio of local authority rents to private sector rents, we have referred to those suggested in the DCLG guidance.

Adjustment Factors for England

Region	**Adjustments Factors 2010**	**Adjustment Factors 2016**
North East	37%	44%
North Wales and Merseyside	35%	40%
Yorkshire and the Humber	31%	41%
East Midlands	34%	42%
West Midlands	34%	40%
Eastern	39%	38%
London	25%	25%
South East	32%	33%

South West	31%	35%

Illustration
The adjustment factor is applied to the total vacant possession valuation based on the beacon valuation. For example, if the vacant possession value of an estate in the West Midlands based on the beacon valuations is £500,000,000, the Existing Use Value – Social Housing is £200,000,000 (i.e., £500,000,000 x 40% = £200,000,000).

SHARED OWNERSHIP

Where the Authority own a share of the interest in the property, the value of the equity share must be accounted for in the portfolio valuation. The approach is to value the property based on the beacon value assumptions and calculate the appropriate equity share.

This share should then be adjusted to reflect the occupation at less than market rents by adopting the regional adjustment factor.

SECTION THREE – PROCESS AND METHODOLOGY

VALUATION CRITERIA

There is no prescriptive approach that authorities must adopt to ensure current values are used in the balance sheet. In this case the following approach has been adopted:

- A full revaluation every five years with desktop reviews in the other four years.

The review part of this process has:

a) Updated the stock numbers to allow for disposals, acquisitions, and newly constructed dwellings.
b) Accounted for material movements in value at the asset group level, including impairment.
c) Captured major changes in value of significant asset groups resulting from major refurbishment schemes.
d) Included properties which were originally classed as in the course of development, but which were completed by the valuation date.

ANNUAL BEACON METHODOLOGY

To value the portfolio, it has been necessary to research several information sources. These include:

- Sales of directly comparable property which have taken place during the financial year leading up to the valuation date.
- Any changes of income flow for non-residential HRA property, valued by way of investment appraisal methods.
- Information available at a local level showing house price movement, such as Lands Registry, Leading Mortgage Lenders, and other records of sales in the locality.
- Regional and National Indices which show general trends that could be used as a basis for the change in value of the portfolio.

Our valuation has taken place at the asset group and archetype level. Each beacon has been re-inspected and reviewed in the light of the valuation evidence that has become available, together with the investment and refurbishment information where this has been made available.

We have considered impairment at this level and in particular "Trigger Events" which may have happened during the year. Wherever possible we have included these factors, if appropriate, in our explanatory notes on impairment.

VALUATION APPROACH

WH&E have adopted the Beacon approach when valuing the housing stock.

SECTION THREE – PROCESS AND METHODOLOGY

The Authority has considered the selection of distinct Asset Groups within the housing area. These Asset Groups are chosen to reflect the areas in which individual value markets operate. The Authority considers that it is appropriate to consider a series of distinct Asset Groups for valuation purposes. We have verified that this approach is realistic, and no further changes have been necessary.

The beacon adopted for each of the property types has assumed vacant possession. In addition, we have been able to rely on information provided as to the property assets in each group and the variations in terms of accommodation, improvements, and modernisation in each case.

ASSET GROUP AND ARCHETYPE DETERMINATION

Even though this document only comprises a revaluation of the portfolio, a simple reference to the valuation methodology required by the DCLG guidelines may be helpful here. It is important that the results of this report are set in the context of these valuation principles.

The approach considers whether the whole portfolio of residential housing stock within the Council's ownership, should be dealt with as a single or multiple Asset Groupings.

In this case, the Housing Department have been very thorough and methodical and have concluded that multiple "Asset Groups" are necessary. This is logical and reflects the local characteristics, on both a geographical and valuation level.

We have also considered if the existing asset groups and archetypes still apply. Wherever appropriate we will have raised this fundamental change with your Authority at officer level prior to reporting and will have revalued on the agreed and revised basis.

The valuation methodology then requires the Valuer to consider each different type of property within this "Asset Group". Similar properties are subdivided from the "Asset Group" to form "Archetypes". In some cases, the subdivision may be to a very specific level. In this case the divisions are based on the way the Authority defines its portfolio for operational and allocation purposes.

For each of the archetype groups, we have valued a "beacon" property as a representative example of that property type and used this as the sample with which to value the Archetype group, with additions or subtractions for each individual property, depending on the information available to us.

VALUATION COMMENTARY

Our valuation has accorded with the relevant guidance notes in all respects; however, we believe that a few specific value sensitive issues ought to be brought to your attention as notes within this report.

We briefly summarise these areas below:

SECTION THREE – PROCESS AND METHODOLOGY

- It has been made aware to us that in other Housing Revenue Accounts, certain stock, particularly in multi-story accommodation or where common access ways or facilities bound or form part of the structure of assets held by the HRA that where inadvertent, or indeed notified, breaches of covenants, or variation in use or changes to originally specified finishes, fittings or other equipment broke particular fire, health and safety or other statutory regulations, that this may well have an extremely significant effect on value and indeed on a practical level continued habitation of residential accommodation in the short and longer terms.

- In this case, as independent external Valuers, we have not been notified of any such breach, and our inspections did not constitute a survey for such breaches. The information on housing stock within the Housing Revenue Account contained certain designations as to property type. As independent external Valuers we have applied our beacon valuation approach to those categorisations and have not sought to extend or sub-divide these property types into further categories in any way.

- This includes external cladding and other similar fittings – we have not been notified of any such issues affecting the portfolio and therefore have worked on the assumption that none are present. The presence of these factors may have a significant effect on value.

- You will be aware that the "Vacant Possession Adjustment Factor" may not have been applied to the whole of your asset stock. Often the residents of sheltered accommodation do not enjoy the same level of tenure, renewal rights or, indeed have "Right to Buy" qualification.

These issues have been agreed with the Authority and our valuation report reflects these assumptions.

IMPAIRMENT

Impairment occurs because something has happened to the fixed assets themselves or to the economic environment in which the fixed assets are operated.

This may include:-

(a) a significant decline in the demand for social housing;
(b) evidence of obsolescence or physical damage to the asset;
(c) an adverse change in the statutory or regulatory environment in which the Authority operates;
(d) a commitment to significant housing re-organisation by the Authority;

MARKET UNCERTAINTY

However, for this report it is worth noting that following the EU referendum held on 23 June 2016 concerning the UK's membership of the EU, a decision was taken to exit.

SECTION THREE – PROCESS AND METHODOLOGY

At the time of preparing this commentary, the UK has now officially left the EU and the transition period has come to an end as of 31st December 2020.

Whilst the deal provides a more certain position in relation to the UK's future relationship with the EU the full implications of the deal will take some time to realise.

We therefore remain in a period of uncertainty in relation to many factors that impact the construction markets and costs associated with this market.

In any event we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets.

In addition:

The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th of March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement, and operational restrictions have been implemented by many countries.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally.

Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value.

Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared.

In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19 we highlight the importance of the valuation date.
Given the unknown future impact of the areas covered within this section we would, therefore, recommend that the valuation is kept under regular review and that specific market advice is obtained should you wish to affect a disposal.

COMPONENTISATION

The fundamental objective of depreciation is to reflect, in the revenue account, the cost of using the asset i.e., in this case, the amount consumed in providing the service of social housing. This cost of use includes the wearing out, using up or other reduction in the economic life of a tangible fixed asset.

This may arise through use, the passage of time or obsolescence or through changes in technology or demand for the goods and services produced by the asset.

In accordance with the Code of Practice on Local Authority Accounting, depreciation should be provided for on all fixed assets with a finite useful life. Subsequent expenditure that maintains or enhances the previously assessed standard of performance of an asset does not negate the need for depreciation. Enhancements will also depreciate and their consumption over time should be reflected in the revenue account.

Since the adoption of IFRS in 2010 it is clear that component accounting should be applied, and this approach should apply to accounting within the Housing Revenue Account as far as possible.

IAS 16 paragraphs 43-47 require that each part of an item of PP&E with a cost that is significant in relation to the total cost of the item, and with a significantly different useful economic life, should be depreciated separately, but those with the same useful lives and depreciation methods may be grouped for depreciation purposes.

In deciding the degree to which a structure should be broken down into its component parts for depreciation purposes, the matter of materiality, i.e., the extent to which the additional componentisation will impact on the actual depreciation charge, needs to be considered. If the impact is minimal then the extra work involved in breaking down the structure into 10 or 20 component parts is unlikely to be justified. The Department's view, in discussion with CIPFA, is that it should be possible for a pragmatic approach to be taken. CIPFA have issued LAAP Bulletin 86 Componentisation of Property, Plant and Equipment, June 2010 with a further update in February 2015.

The Department for Communities and Local Government does not envisage that this need be an onerous task and expects that for non-specialised buildings minimal componentisation should be required. However, it is for the individual local authority to decide what its material components are. Traditionally (i.e., pre-International Financial Reporting Standards UKGAAP) the minimum requirement has been for the building itself.

In this case, and further to discussions with the Authority, we have not provided any componentisation information for the authority as part of this exercise.

ADDITIONAL COMMENTS

It may be that further report(s) and valuations are necessary to reflect any in year changes to assets within the portfolio not valued and covered by this report to ensure that carrying figures are appropriate for the final day of the accounting period, 31st March 2022.

These circumstances may include material changes and new acquisitions and if required would be reported separately to this report.

SECTION THREE – PROCESS AND METHODOLOGY

AUDIT SUPPORT

We expect that as part of the valuation process, we will be required to provide certain additional explanation and assistance to the Authority where the process will be subject to audit.

SECTION FOUR – VALUATION ASSUMPTIONS

SPECIAL ASSUMPTIONS

We are not aware of any special assumptions.

VALUATION ASSUMPTIONS

The accuracy of the beacon valuation together with the choice of beacon is a major factor governing the quality of the overall housing stock asset valuation.

The beacon valuations assume that the property is vacant and that the current future use is for residential accommodation, with no potential residential redevelopment of the site, or intensification of use as a result of possible sub-division or extension of the property. No account is taken of any other alternative development potential that may include demolition and merging of sites.

These assumptions have been adopted to ensure that all the beacon valuations are prepared on a consistent basis. The beacon valuations are, in the majority of cases, applied to council housing stock which for the foreseeable future will remain as council housing with no requirement for demolition and redevelopment. To include elements of 'Hope Value' attributable to the possibility of redevelopment of the existing buildings within the existing planning use would include elements of value inappropriate to the groups of property valued by the beacon.

Situations where it is inappropriate to make the assumption that the property will remain tenanted for the foreseeable future are dealt with separately. These situations may arise in areas of low demand and unpopular housing.

The assumptions to make in preparing the beacon valuation are set out below. EUV as defined in the Red Book at UK VPGA 6 provides the basic assumptions for the beacon valuation but with additional assumptions to meet the needs of a local authority housing stock asset valuation.

EUV-SH is the estimated amount for which a property should exchange, in the valuation date, between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion, subject to the following special assumptions that the property will continue to be let by a body pursuant to delivery of a service for the existing use:

(a) At the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to an organisation intending to manage their housing stock in accordance with the regulatory body's requirements;

(b) Properties temporarily vacant pending re-letting would be valued, if there is letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession and;

(c) Any subsequent sale would be subject to all of the above special assumptions.

For leasehold properties IFRS introduced significant changes to the treatment of leased assets for capital accounting purposes. Currently the standard adopted is IAS 17.

In summary these classifications will require the following valuations.

i. Lessee of Operating Lease – no value required as not captured on the balance sheet.
ii. Lessor of Operating Lease – usually accounted for as an Investment Property (IAS 40).
iii. Lessee of Finance Lease – CV of the lease interest (which is not the value of the legal interest in the lease but the underlying freehold existing use value of the property as if owned as risks and rewards of ownership are considered to have transferred).
iv. Lessor of Finance Lease – no figure normally required from the Valuer.

Other assumptions

- Planning Proposals

    - We have not made formal written enquiries of the Local Authority Planning Departments to ascertain if there are any adverse proposals likely to affect specific properties. We are instructed, however, that for the purposes of this Valuation Certificate, we should assume that there are no planning proposals that are likely to have an effect on the value of the properties unless these were specifically notified to us.

- Construction and State of Repair

    - Structural / Condition surveys have not been undertaken of the properties nor have the service installations been tested.
    - We have not carried out a structural survey nor have we inspected those parts of the properties that are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts.
    - No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.
    - Unless we are aware that a specific property has a limited economic life, we have assumed that the assets are at a suitable level of condition for service provision, and that all internal and external repairs and maintenance have been carried out. We have assumed that these repairs do not constitute improvement to the properties and do not have a material effect on asset value.

- Hazardous or Deleterious Materials

    - We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of these properties or has since been incorporated and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this report we have assumed that such investigation would not disclose the presence of any such material in any adverse condition.

- Contaminated Land
  - We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the property and which may draw attention to any contamination or possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out on the property. We have not carried out any investigation into past or present uses either of the properties or of any neighbouring land to establish whether there is any potential for contamination from these sites to the subject property and have therefore assumed that none exists.
  - Should it however be established subsequently that contamination exists at any of the properties or any neighbouring land or that the properties have been or are being put to a contaminative use this might reduce the values now reported.
- Plant and Machinery
  - Any plant and machinery that has been considered to form part of the property or service installations is included in the valuation. Where there is doubt as to the correct classification, assets installed primarily to provide services to the properties have been valued with the land and buildings and assets primarily serving the commercial or industrial process have been excluded. Any departure from this is stated on the relevant Valuation Statement.
- Lotting
  - Where applicable, properties have been lotted. No allowance or discount has been made for any flooding of the market which might, in practice, happen if a number of properties were offered for sale simultaneously. The figure reported is the aggregate of the values on separate properties.
- Taxation
  - No allowance has been made for liability for taxation which may arise on disposal, whether actual or notional. Where possible VAT and Capital Gains Tax are specifically excluded, and our valuation does not reflect costs of realisation unless specifically requested by the client. No additions have been made for Stamp Duty Land Tax (SDLT).
- Acquisition and Disposal Costs

- No notional directly attributable acquisition costs or selling costs have been applied to or deducted from the Current Value and Fair Value figures provided within this report.

- For indicative purposes only, the Valuer would expect purchaser's cost to be in the region of 0.5% and 5.0% (plus or minus) dependent on the overall value of the asset and property type on an acquisition or disposal respectively.

- The Valuer has made no allowance for any vendor's costs or taxation (actual or notional) nor has any allowances been made for any capital or annual grants or incentives to which a purchaser may be entitled.

- The Valuer has not been asked by the client to specifically reflect these costs separately.

- Guidance on this matter is provided within UKVS 1 Paragraph 1.7 - Costs to be excluded of the Red Book:

    - The valuer must not include directly attributable acquisition or disposal costs in the valuation. When asked by the client to reflect costs, these must be stated separately.

    - In determining the figure to enter into the balance sheet (the 'carrying amount'), IAS16 requires the addition of notional, directly attributable acquisition costs, where material, to the EUV. Likewise, where property is surplus to the entity's requirements and valued on the basis of market value, there should be a deduction for expected, directly attributable selling costs, where material. If requested to advise on these costs, the Valuer should report them separately and not amalgamate them with either the EUV or market value. The valuation should reflect the Valuer's opinion of the consideration that would appear in the hypothetical sale and purchase contract.

    - IAS16 states that directly attributable costs can include stamp duty, import duties and non-refundable purchase taxes, as well as professional fees, the Valuer is alerted to a potential problem with a property that would, or would potentially, be subject to VAT in any transaction but the entity may not be able to reclaim the VAT. The decision whether or not to treat this as a directly attributable acquisition cost should be determined by the entity, together with its auditors. Even if this is the case the Valuer should state clearly in the report what assumptions have been made and the likely impact of VAT in any transaction.

    - In the case of surplus properties, directly attributable selling costs that are material may need to be itemised separately. If this is the case, they will include not only the transaction costs but also any marketing costs that can be reasonable anticipated.

- Energy Performance Certificates
    - In England and Wales, the Energy Performance of Buildings Directive requiring Energy Performance Certificates (EPC) is relevant.
    - This directive requires all properties to have an Energy Performance Certificate (EPC) covering the residential and commercial sectors. The Certificate is valid for ten years and includes an Energy Efficient Rating of between A and G.
    - Since 26th March 2015 the minimum energy efficiency standard (MEES) has been introduced.
    - This minimum standard applies to both domestic and non-domestic property and from 1st April 2018 Landlords have been unable to let an F or G rated commercial property on a new or renewed tenancy / lease.
    - From 1st April 2020, the regulations apply to all property leases, initially for domestic properties, and then in 2023 non-domestic properties too.
    - Exceptions include leases of less than six months and leases of longer than 99 years as well as listed buildings.
    - For these purposes we have assumed that all properties valued within the portfolio meet the E or higher required rating for letting purposes.
- Deminimis Levels of Value
    - Only those properties the value of which is considered likely to exceed the "deminimis" level of value determined by The Authority are included separately in this valuation. In all cases, we have included the valuation within the main body of the report as well as summarising them in letter format even if the Authority chooses not to include these within their financial statements.

AUDIT COMMENTARY

Our valuation methodology and assumptions evolved from ongoing instructions since 1992 when the current accounting requirements were introduced.

Our working processes are audited through our external consultants Certification International UK Ltd on an annual basis to achieve our ISO 9001:2008 accreditation.

SECTION FOUR – VALUATION ASSUMPTIONS

The valuation report and results are reviewed by the client accountant and estates teams before we issue the final version of the report.

NON-PUBLICATION CLAUSE

Neither the whole nor any part of this report nor any reference thereto may be included in any published document, circular or statement nor published in any way without the previous written approval of Wilks Head and Eve as to the form and context in which it may appear.

Our letter of consent will be given when a final proof of the document is available, and the consent will refer to a specimen annexed and signed as identification of what has been approved.

As such publication of, or reference to, this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards.

This report is provided for the stated purpose and for the sole use of the named client and their professional advisors and the Valuer accept no responsibility whatsoever to any other person.

COMPANY INFORMATION

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AUDIT & ACCOUNTS COMMITTEE
27 ARPIL 2022

COUNTER-FRAUD ACTIVITIES FROM 30 SEPTEMBER 2021 TO 31 MARCH 2022

1.0 Purpose of Report

1.1 To inform Members of counter-fraud activity undertaken since the last update reported on 1 December 2021.

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**, 231** 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 2 have been recorded as fraud and 2 as error totalling £40,000. Action is currently being taken to retrieve those funds – so far £20,000 (2 grants) have been recovered. The Government Department BEIS requested details of any fraud cases that were currently live whereby payments have yet to be received during February 2022 for which the two remaining cases were given. It is anticipated that these cases will then be passed to BEIS for them to recover. At the time of writing this report BEIS were still considering this request.

4.3 An additional data matching exercise has been undertaken for grant payments made for the period November 2020 to March 2021. This consisted of checking records with Companies House and Spotlight prior to payments being made, rather than retrospectively. In respect of Sole Traders, who will not have Companies House records to check against, a bank statement was utilised in order to validate authenticity.

4.4 In respect of the Restart grants, Omicron and additional ARG grants paid from April 2022 onwards, Spotlight checks were mandated prior to payment of grant in order to reduce the likelihood of fraudulent payments being made. This included checks to Companies House. In respect of Sole Traders, who will not have Companies House records to check against, a bank statement was utilised in order to validate authenticity.

4.5 Based on the Fraud Risk Register that was presented to the committee on the 21 April 2021, a further action that was identified has also been completed:

- Acquisitions and Disposals policy adopted at Policy and Finance Committee 25th November 2021

4.6 The annual full review of the Fraud Risk Register has been commissioned with Assurance Lincolnshire and this took place during April 2022. The results of this will be brought to the July Audit and Governance Committee.

5.0 The National Fraud Initiative (NFI)

5.1 The National Fraud Initiative (NFI) is a data-matching exercise where electronic data is collected from numerous agencies including police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. The data collection is carried out by the Cabinet Office and is reviewed for any matches that might reveal fraudulent activity. e.g. a record of a person's death exists, but that person is still claiming state pension. The potential matches are sent to individual bodies for investigation to check if there is another, innocent explanation. Most data sets are currently submitted every two years, apart from single person discount data which is submitted every year.

5.2 During 2021/22 1,567 Council Tax the single person discount awards were investigated. Of the matches generated by NFI, 142 cases of suspected fraud were identified 20 cases of error amounting to £98,216.38.

5.3 Of the other data sets 163 cases have been processed and of these 27 cases have been classified as error, mainly due to deceased persons that were still registered on the housing waiting list.

5.4 A County wide approach is currently being considered for the 2022/23 exercise – further information is expected to be available in June 2022.

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 (FIN22-23/2117)

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
27 APRIL 2022

APPOINTMENT OF NON-VOTING INDEPENDENT MEMBER ON AUDIT & ACCOUNTS COMMITTEE

1.0 Purpose of Report

1.1 To consider the appointment of Clive Richardson as a non-voting Independent member of the Audit & Accounts Committee.

2.0 Background Information

Approval of Independent Member

2.1 The Audit & Accounts Committee recommended to Full Council on 3 February 2021 that an Independent member be co-opted onto the Committee on a non-voting basis. This decision was approved by Council on 9 March 2021.

2.2 An Independent Member was sought and appointed by Council on 13 July 2021, for which the person attended the Audit and Accounts Committee meeting on the 28 July 2021 but unfortunately due to receiving a promotion in their main occupation, the Independent Member tendered their resignation prior to the September meeting.

2.3 Since that point, a recruitment exercise was undertaken for which no applications were received.

2.4 Existing Audit and Accounts Committee members reached out to their wider community, for which one individual took an interest in the role.

2.5 A panel consisting of the Chair of the Audit and Accounts Committee together with Councillor Donna Cumberlidge and the Business Manager – Financial Services met with the individual on 25 February 2022 in order to assess their suitability for the role.

2.6 It was unanimously felt that the individual would assist and support the Committee in their capacity as Independent Member due to their previous role of Headteacher at a local school. This would provide invaluable experience that the Committee could draw on.

2.7 It is therefore proposed that the candidate, Clive Richardson is appointed as the non-voting Independent member of the Audit & Accounts Committee. This position will be reviewed annually to ensure that both parties are content to continue the arrangements.

3.0 RECOMMENDATIONS that:

(a) The Committee recommend to full Council the appointment of Clive Richardson to the position of non-voting Independent member on the Audit & Accounts Committee be approved.

Background Papers

Nil

For further information please contact Nick Wilson on Ext. 5317.

Sanjiv Kohli
Deputy Chief Executive, Director of Resources and S151 Officer