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Tuesday, 24 January 2023

Chairman: Councillor Mrs S Michael

Vice-Chairman: Councillor R Crowe

Members of the Committee:

**Councillor R Blaney
Councillor Mrs B Brooks
Councillor D Cumberlidge
Councillor Mrs E Davis
Councillor P Harris
Councillor S Haynes
Councillor J Kellas
Councillor B Laughton
Councillor J Lee
Councillor T Smith**

MEETING: Audit and Governance Committee

DATE: Wednesday, 1 February 2023 at 6.00 pm

**VENUE: Civic Suite, Castle House, Great North Road,
Newark, 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

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Agenda Item 4

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Audit and Governance Committee** held in the Civic Suite, Castle House, Great North Road, Newark, NG24 1BY on Wednesday, 23 November 2022 at 6.00 pm.

PRESENT: Councillor Mrs S Michael (Chairman)
Councillor R Crowe (Vice-Chairman)

Councillor R Blaney, Councillor Mrs B Brooks, Councillor D Cumberlidge, Councillor P Harris, Councillor S Haynes, Councillor J Kellas, Councillor J Lee, Councillor T Smith and Mr C Richardson (Non-Voting Co-Optee)

APOLOGIES FOR ABSENCE: Councillor Mrs E Davis (Committee Member) and Councillor B Laughton (Committee Member)

19 DECLARATIONS OF INTEREST FROM MEMBERS AND OFFICERS

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

20 NOTIFICATION TO THOSE PRESENT THAT THE MEETING WILL BE RECORDED AND STREAMED ONLINE

Other than the Council recording in accordance with usual practice, there were no declarations of intention to record the meeting.

21 MINUTES OF THE MEETING HELD ON 27 JULY 2022

AGREED that the minutes of the meeting held on 27 July 2022 be approved as a correct record and signed by the Chairman.

22 ORDER OF BUSINESS

With the agreement of the Committee, the Chairman changed the order of business. Agenda Item 9 Internal Audit Progress Report 2022/23 was taken after Item 5 Strategic Risk Review, then the agenda resumed to its stated order.

23 STRATEGIC RISK REVIEW

The Committee considered the report from the Safety and Risk Manager providing an update to Members on the status of the Council's 2022/23 Strategic Risk Register.

The report reminded Members that the contents of the Strategic Risk Register had been reported in April 2022. The content of the current risk register had not changed since the last report and continued to have 13 strategic risks.

The Committee was advised that the current strategic risk register does not address the issues/risks posed by the current cost of living challenge to the council, its services, and the communities it serves. This risk has recently been considered by the Council's Senior Leadership Team, who have subsequently agreed to its inclusion

within the current risk register.

Councillor Harris noted that Arkwood was shown as a risk and that Active4Today was not, the Safety and Risk Manager would consider and update at the next meeting.

AGREED (unanimously) that the Members of the Committee noted the content of the report and highlighted any issues of concern.

24 INTERNAL AUDIT PROGRESS REPORT 2022/23

The Committee considered the report from the Head of Internal Audit for Assurance Lincolnshire providing a summary of Internal Audit work undertaken during 2022/23 against the agreed audit plan.

The Audit Plan for 2022/23 was agreed at the Audit and Accounts Committee in April 2022. Throughout the year reports on the progress made and changes to the plan were then brought to this Committee.

The report contained details of all reports issued in the first half of the financial year 2022/23.

The Director for Housing, Health and Well-Being provided an update with regard to gas servicing having met with the Regulator, confirming that significant progress has been made.

The Chairman requested that the Director for Housing, Health and Well-Being provided a further update to the Audit & Governance Committee in February.

The Head of Internal Audit for Assurance Lincolnshire advised that Members of the Audit & Governance Committee had attended the Governance training on the 2 November 2022, also advising that CIPFA had issued further training.

AGREED (unanimously) that the Audit & Governance Committee considered and commented upon the latest internal audit progress report and noted its content.

25 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN AND HOUSING OMBUDSMAN ANNUAL UPDATE

The Committee considered the report from the Business Manager for Customer Services that informed the Committee of the Local Government and Social Care Ombudsman and Housing Ombudsman annual reviews.

The report highlighted to Members that each year the Local Government and Social Care Ombudsman (LGSCO) produces an Annual Review Letter for local authorities detailing the number, type and decisions made relating to each authority; these were provided as Appendices 1 and 2. The Housing Ombudsman also produces an Annual Complaints Review, in the report as Appendix 3.

Councillor Harris referred to the national picture and how the Council compares. The Assistant Director Legal and Democratic Services confirmed to provide further

information. Councillor Lee referred to 3rd party providers with reference to housing, the Assistant Director Legal and Democratic Services would check in to this and advise if there were implications for the Council.

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

26 AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

The Committee considered the report from the Business Manager for Financial Services informing Members of the activity undertaken by the Audit and Accounts/Audit and Governance Committee during the 2021/22 financial year.

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

This report provides Members with the activity undertaken by the Audit and Accounts/Audit and Governance Committee during the 2021/22 financial year and ensures that the Committee discharges its responsibilities as per its delegated authority within the Council's Constitution.

AGREED (unanimously) that Members noted the content of the report and recommend it to Full Council on 13 December.

27 TREASURY MANAGEMENT MID-YEAR REPORT 2022/23

The Committee considered the report from the Assistant Business Manager for Financial Services providing an update on the Council's Treasury Activity and Prudential Indicators for the first half of 2022/23.

The Members discussed the report noting at 2.3 the titles for the expenditure required switching over between the General Fund and the HRA.

It was also noted on page 85 of the agenda in the Investment Activity in 2022/23 table for the Standard Chartered Sustainable Deposit the average interest rate was 3.31% and not 6.61%.

AGREED (unanimously) that:

- a) the Treasury Management activity be noted and recommended to Full Council on 13 December; and
- b) the Prudential Indicators detailed in Section 9 of the report be noted.

28 APPROVAL OF THE STATEMENT OF ACCOUNTS

The Committee considered the report from the Business Manager for Financial

Services to obtain approval of the Council's Statutory Accounts for the financial year ended 31 March 2022.

The report provided a draft version of the Statement of Accounts, to be finalised for 30 November. The Mazars representative, present at the meeting, advised the Committee that they were close to signing and expected this would take place in the first two weeks of December.

AGREED (unanimously) that:

- a) Members approved the Annual Governance Statement for the financial year ended 31 March 2022;
- b) Members approved the draft audited Statement of Accounts for the financial year ended 31 March 2022;
- c) Members gave delegation to the Deputy Chief Executive/Director of Resources - S151 Officer and the Chairman to sign a revised set of accounts if required as per paragraph 3.4;
- d) Members gave delegation to the Deputy Chief Executive/Director of Resources - S151 Officer and the Chairman to sign the Management Letter of Representation as per paragraph 3.6; and
- e) Members gave delegation to the Leader of the Council and the Chief Executive to sign the Annual Governance Statement as per paragraph 3.9.

29 REVIEW OF THE NEW GOVERNANCE ARRANGEMENTS

The Committee considered the report from the Assistant Director for Legal & Democratic Services to update Members on plans for the 6-month review of the new (Executive) Governance arrangements adopted by Full Council on 17 May 2022.

The report explained how the Council had moved from a committee system of governance to a cabinet system of governance and agreed to undertake a review of the system 6 months after implementation.

The report noted that two sessions had been arranged which were open to all Members, one in person and one virtual to allow for the greatest engagement. These sessions are to be held on Monday 12 December (remote) and Thursday 15 December (in person at Castle House) and will be chaired by the Chief Executive. Members will be invited to review the governance structure and provide feedback on various aspects of the structure such as the Cabinet, Policy & Performance Improvement Committee and the Executive Work Programme, sharing what is working well and what could be improved.

AGREED (unanimously) that:

- a) Members endorsed the plans; and

- b) Members noted that the findings of the review will be brought back to this Committee on 1 February 2023.

30 COUNTER-FRAUD ACTIVITIES FROM 1 APRIL 2022 TO 30 SEPTEMBER 2022

The Committee considered the report from the Assistant Business Manager for Financial Services to inform Members of counter-fraud activity undertaken since the last update reported on 1 December 2021.

The report highlighted Counter Fraud Detection at section 2 and Other Counter-Fraud Detection - Business Grants at section 3.

The Business Manager for Financial Services advised the Committee that in July the Fraud Risk Register had been refreshed as part of the National Fraud Initiative (NFI).

Councillor Blaney queried 4.2 of the report as to what was the percentage breakdown as during 2021/22 3,181 Council Tax single person discount awards were investigated. Of the matches generated by NFI, 244 cases of suspected fraud were identified, 40 cases of error amounting to £129,906. The Business Manager for Financial Services to clarify.

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

31 AUDIT & GOVERNANCE COMMITTEE WORK PLAN

The Committee considered the current Audit & Governance Committee Work Plan, noting that other reports may be supplemented.

AGREED (unanimously) that the Audit & Governance Committee Work Plan be approved.

32 DATE OF NEXT MEETING

The next meeting would be held on Wednesday 1 February 2023.

Meeting closed at 7.10 pm.

Chairman



Report to: Audit & Governance Committee Meeting
1 February 2023

Director or Business Manager Lead: Nick Wilson, Business Manager – Financial Services

Lead Officer: 01636 655317, nick.wilson@nsdc.info

Report Summary	
Report Title	External Auditors Audit Progress Report 2021/22
Purpose of Report	To present the External Auditor’s Progress Report for Newark and Sherwood District Council for the 2021/22 audit based on work completed to date.
Recommendations	That Committee consider and note the External Auditor’s Progress Report
Reason for Recommendation	To ensure the Committee understands the current position of the audit for the 2021/22 financial year.

1.0 Background

- 1.1 The document attached at Appendix A is the Auditor’s Audit Progress Report for 2021/22 which summarises the work that has been undertaken by the auditors for the year ended 31st March 2022.
- 1.2 The audit of the financial statements was completed earlier this year, with the report being signed on the 5th January 2023. Section two details the two recommendations made by the auditor based on the audit together the Council’s management response.
- 1.3 Appendix A to the document details the unadjusted and adjusted misstatements made to the financial statements as a result of the audit.
- 1.4 This is not the final report from the External Auditor which would conclude the audit for the 2021/22 financial year. The Value for Money work is currently in progress and this is due to be completed within 3 months of the 5th January 2023. This will therefore be reported at the meeting of the Audit and Governance Committee on 26th April 2023.

2.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and

Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Audit Progress Report

Newark and Sherwood District Council—
Year ended 31 March 2022

1 February 2023

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 - Appendix A: Summary of misstatements throughout the audit
 - Appendix B: Draft Audit Completion Results as at November 2022

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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01 February 2022

Dear Committee Members

Audit Progress Report – Year ended 31 March 2022

We are pleased to present our Audit Progress Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 27 July 2022. We reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. We have completed our audit of financial statements with the report signed on the 5th January 2023.

We would like to express our thanks for the assistance of your team during our audit.

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

Yours faithfully

David Hoose

Mazars LLP

01

Section 1

Status of the audit

1. Status of the audit

Introduction

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO').



Opinion on the financial statements

We attended and explained our audit completion report to the Audit Committee in November 2022, where we reported that there were issues noted in the Property, Plant and Equipment that management agreed to adjust for. We completed our audit work on the proposed adjustments and residual audit compilation procedures allowing us to issue the opinion on the financial statements on 5 January 2023. Our opinion on the financial statements was unqualified.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Value for Money arrangements

In our audit report issued we reported that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. We are currently in progress with VFM work, the audit results report will be made available within the deadline of 3 months after signing the audit report.



Wider reporting responsibilities

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.

Status of the audit

Summary of findings against the significant financial statement audit risks

Audit Risk	Audit risk level	How we addressed the risk	Audit conclusions
<p>Management override of controls</p> <p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p>	Significant risk	<p>We addressed the risk through performing work over accounting estimates, journal entries and considering whether there were any significant transactions outside the normal course of business or otherwise unusual. In addition, we made enquiries of management and used our data analytics and interrogation software to extract accounting journals for detailed testing on specific risk characteristics.</p>	<p>There were no significant matters to report in respect of management override of controls.</p>
<p>Valuation of land & buildings and investment properties and council dwellings</p> <p>The valuation of these properties is complex and is subject to a number of management assumptions, judgements and a high degree of estimation uncertainty covering:</p>	Significant risk	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by using third party information to provide information on regional valuation trends; critically assessing the approach that the Council adopts to ensure assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuers; and testing a sample of individual valuations, back to source records to ensure appropriateness and to gain assurance over whether the correct accounting treatment has been applied. 	<p>Following corrections made by management, we were satisfied the accounts were not materially misstated.</p> <p>Section 02 sets out our recommendations as a result of our observations on the Council's controls in this area. Appendix A confirmed the adjustments that were required to the draft financial statements as context for the recommendations raised.</p>
<p>Valuation of the net pension liability</p> <p>The defined benefit liability relating to the Local Government pension scheme represents significant balances on the Council's balance sheet. The Council relies on an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits. Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk of misstatement in this area.</p>	Significant risk	<p>Our procedures to address this risk included, but was not limited to:</p> <ul style="list-style-type: none"> liaising with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are designed and implemented correctly. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuaries, and the key assumptions included within the valuations. This included comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office. 	<p>We noted a misstatement of £0.875m, this has not been adjusted by management on the basis that this is immaterial and would not negatively affect the audit opinion. Based on this, we noted that the net defined benefit pension liability has been fairly valued.</p>

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Section 2

Internal Control Recommendations

2. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

2. Internal control recommendations

Internal control deficiency – Level 2

Description of deficiency

During the audit a number of findings were identified in respect of Property, Plant and Equipment which could not be isolated to a certain class of PPE or type of error. Through discussions with management we were advised that this was mainly due to the senior accountant (capital) being away on leave which left a gap in skills when it came to capital accounting.

Potential effects

Risk of material misstatements in property, plant and equipment.

Recommendation

Management should invest in upskilling more staff members as a way of succession planning. This would assist in ensuring that the quality of work is not compromised when the responsible employees is on leave for a long period or leave the employment of the council.

Management should also have in place review processes of work performed on PPE including work performed by valuers to ensure what is recorded in the council's ledger is accurate.

Management response

An additional member of the finance team was employed in November and their responsibility will be assisting the senior accountant (capital), with the long term intention for that individual to gain the skills required in the understanding the capital accounting requirements and therefore ensuring resilience in this complex area.

Additional tasks have now been included on the future year end timetable to ensure that management have a thorough review of the information supplied by the valuer and a review of the work on PPE.

Description of deficiency

During the audit of debtors we noted that there was an old debtors balance with a company that is in liquidation. We note that the Council was not aware of the liquidation until August 2022. This indicates that the debtors recoverability process has not effectively detected the irrecoverable debt.

Potential effects

Misstatements in debtors due to insufficient recoverability review as required by IFRS 9

Recommendation

Management should have an improved recoverability review process in place where sufficient contact is made with debtors.

Management response

A review of the recoverability process for s106 debtors has occurred and also an additional full review of S106 debtors has been implemented into the year end timetable which includes a review of each company with arrears on companies' house.



Appendix A

Summary of misstatements identified throughout the audit

Summary of misstatements

As indicated in the status of the audit in section 1, during the audit, we identified misstatements in capital assets, and it was agreed with management that a review be performed to identify all possible assets within this area. This section confirms the misstatements identified during the course of the audit by the audit team and management, above the trivial threshold for adjustment of £64k. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income and Expenditure	134			
	Cr: Income received in advance				134
	Income for 22/23 incorrectly recognised in 21/22. [Extrapolated error]				
2	Dr: Other Long term liabilities			875	
	Cr: Unusable Reserve – Pension Reserve		875		
	Overstatement in pension liability				
3	Dr: Council Dwellings			171	
	Cr: Unusable reserve		171		
	Overstatement in council dwellings				
Total unadjusted misstatements		134	1,046	1,046	134

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Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Asset held for sale			82	
	Cr: Revaluation Reserve				82
	Land recorded at an incorrect fair value				
2	Dr: Council Dwellings			178	
	Cr: Assets Under Construction				178
	Completed asset had not been reclassified to council dwellings				
3	Dr: Other Land and Buildings			436	
	Cr: Income and Expenditure		186		
	Cr: Revaluation Reserve				250
	Adjustment due to incorrect calculations during the fair valuing process				
	Dr: Revaluation Reserve			490	
	Cr: Other Land and Buildings				490
	Adjustment due to incorrect calculations and updated assumptions during the fair valuing process				
Total adjusted misstatements (subtotal)			186	1,186	1,000

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Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	DR: Income and Expenditure	235			
	CR: Other Land and Buildings				235
	Disposed garages through demolition to erect dwellings: Hatchets Lane Garages				
6	DR: Impairment	21			
	DR: Revaluation Reserve	90			
	CR Other Land and Buildings				111
	Error in area used in valuer calculation 14a Market place				
7	DR: Other land and buildings			67	
	CR: Revaluation reserve		67		
	Disposed garages through demolition to erect dwellings: St Mary's Garden Garages				
8	Dr: Depreciation Expense	180			
	Cr: Vehicles' plant and equipment				180
	Vehicles, plant and equipment not depreciated during the year				
	Total unadjusted misstatements (subtotal)	526	67	67	526

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Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
9	DR: Impairment	149			
	DR: Assets under construction			590	
	CR Other Land and Buildings				739
	Write out building that has been demolished (Seven Hills hostel) and move land to AUC				
10	DR: Impairment	601			
	DR: Assets under Construction			304	
	CR: Other land and buildings				905
	Write out building that has been demolished (Newark livestock market) and move land to AUC				
Total unadjusted misstatements (subtotal)		750		894	1,644
Total unadjusted misstatements		1,276	253	2,147	3,170

Summary of misstatements

Disclosure amendments

The following disclosure amendments were made by management:

- 1. Rate of increase in pensions' (Increase) has been adjusted from £3,397k to be in line with the Actuarial report at £3,847k.
- 2. An adjustment is to be made on note 36B, in relation to interest received value from £840k to £933k



B

Appendix B

**Draft Audit Completion Report as at
November 2022**

Draft Audit Completion Report

Newark and Sherwood District Council—
Year ended 31 March 2022

23 November 2022

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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.
Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.
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23 November 2022

Dear Committee Members

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on [Date]. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

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

Yours faithfully

David Hoose

Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report, we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Valuation of property, plant, equipment and Investment properties
- Management override of controls; and
- Revenue recognition.

Misstatements and internal control recommendations

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £0.340m. Section 7 outlines our work on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2022. At the time of preparing this report, significant matters remaining outstanding as outlined in section 2. We will provide an update to you in relation to the significant matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

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



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Whole of Government Accounts (WGA)

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.




02

Section 02: **Status of the audit**

2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Pensions		Part of our assurance over the net pensions liability is derived from specified procedures commissioned from the external auditors of the Nottinghamshire Pension Fund. We are yet to receive their final report for our consideration and completion of the testing required
Property, Plant, Equipment and Investment Properties		The audit team is currently working with management in order to complete testing in this area of the audit.
Consolidations		The audit team is currently working and concluding testing in this area of the audit.
Whole Government Accounts		NAO Group Instructions for local authority audits are not yet available and WGA returns and audit certificates cannot be issued at the present time.
Audit Quality Control and Completion Procedures		Our audit work is undergoing final stages of review by the Engagement Lead and further quality and compliance checks. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion and obtaining final management representations

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

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03

Section 03: **Audit approach**

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in May 2022. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum

Materiality

Our provisional materiality at the planning stage of the audit was set at £1.632m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements is £1.608m using the same benchmark.

Reliance on internal audit

As part of our audit, we have not relied on the work of the internal audit however as included in our Audit Strategy Memorandum we have made enquiries with internal audit and reviewed the Head of Internal Audit Report which informed the nature, extent and timing of our audit procedures.

Use of experts

In our Audit Strategy Memorandum, we identified the following experts planned to be used by management in preparing the financial statements, and by ourselves in carrying out our audit. There are no changes to the planned approach or matters arising to report.

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

Service organisations

International Auditing Standards (UK) define service organisations as third-party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. In our Audit Strategy Memorandum, we identified Nottinghamshire pension fund as a service organisation. As indicated in the ASM we have pursued to attain assurance by using work performed by another auditor, i.e., Grant Thornton. We have written and requested that these auditors indicate the operating effectiveness of controls of Nottinghamshire Pension Fund. We are yet to receive confirmation of this, and we will conclude upon receipt of our response from Grant Thornton.

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3. Audit approach

Group audit approach

Where relevant and necessary, provide information on the planned and actual group audit approach.

Group component	Approach adopted	Key points or other matters to report
Newark and Sherwood District Council	●	None different from what has been included in this report
RHH Newark Limited	●	Analytical procedures have been performed
Arkwood Development Limited	●	Analytical procedures have been performed
Age4Today Limited	●	Analytical procedures have been performed

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<p>Full audit Performance of an audit of the component's financial information prepared for group reporting purposes using component materiality</p>
<p>Audit of balances and/or disclosures Performance of an audit of specific balances and/or disclosures included in the component's financial information prepared for group reporting purposes, using component materiality</p>
<p>Specific audit procedures Performance of specific audit procedures on the component's financial information</p>
<p>Review procedures Review of the component's financial information prepared for group reporting purposes using the component materiality assigned</p>

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04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 16 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit

Significant risks

Management override of controls	Description of the risk
	<p>This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>
	How we addressed this risk
	<p>We addressed this risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
	Audit conclusion
	<p>Our audit procedures have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to management override of controls</p>



4. Significant findings

Net defined benefit pension liability valuation	Description of the risk
	<p>The defined benefit liability relating to the Local Government Pension Scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary for the scheme to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area</p>

To address the risk, we have

- Assessed the competency, objectivity and independence of the Actuary at the Pension Scheme;
- Liaised with the auditors of the Nottinghamshire Pension Fund to gain assurance over the design and implementation of controls in place at the Nottinghamshire Pension Fund. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary (as applicable), and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information by the consulting actuary engaged by the National Audit Office; and
- Agreed the data in the IAS 19 valuation reports provided by the Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

As mentioned at page 7 we are yet to receive their final report for our consideration and completion of the testing required. Our audit procedures to date have not identified any material errors or uncertainties in the financial statements, or other matters that we wish to bring to Members' attention in relation to the valuation of the net defined benefit pension liability

Valuation of land, buildings, council dwellings and investment properties	Description of the risk
	<p>The Council's accounts contain material balances and disclosures relating to its holding of council dwellings, land & buildings and investment properties, with the majority required to be carried at valuation.</p> <p>The valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>

To address the risk, we have

- critically assessed the scope of work, qualifications, objectivity and independence of each of the Council's valuers to carry out the required programme of revaluations;
- considered whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies;
- assessed whether valuation movements are in line with market expectations by considering valuation trends;
- critically assessed the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2021/22 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Councils valuers; and
- considered movements in market indices between revaluation dates and the year end in order to determine whether these indicate that values have moved materially over that time.

Audit conclusion

Our audit procedures have not to date identified any material errors or uncertainties in the financial statements. Findings that have been identified thus far have been included in section 6 of this report. As mentioned on page 7, we are working with management to complete the remaining work in this area.

4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2021/22 Code of Practice on Local Authority Accounting.

Draft accounts were received from the Council on 5th September 2022 and were of a good quality.

Significant matters discussed with management

- Business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement.
- Matters arising in the year as a result of Covid and their operational response, including the identification of emerging risks to our work on the financial statements.

Significant difficulties during the audit

During the course of the audit, we have had the full co-operation of management. The audit was again carried out remotely with a few visits to the council premises. There were no significant difficulties in carrying out our normal audit procedures and obtaining the audit evidence required to complete the audit. We continue to work with management to complete any remaining audit work and resolve audit queries and are grateful for the co-operation and support provided.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2021/22 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised

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05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

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

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	2
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

5. Internal control recommendations

Internal control deficiency – Level 2

Description of deficiency

During the audit a number of findings was identified on Property, Plant and Equipment which could not be isolated to a certain class of PPE or type of error. Through discussions with management we were advised that this was mainly due to the senior accountant (capital) being away on leave which left a gap in skills when it comes to capital accounting.

Potential effects

Risk of material misstatements in property, plant and equipment.

Recommendation

Management may invest in upskilling more staff members as a way of succession planning. This would assist in ensuring that the quality of work is not compromised when the responsible employees are on leave for a long period or leave the employment of the council.

Management should also have in place review processes of work performed on PPE including work performed by valuers to ensure what is recorded in the councils ledger is accurate.

Management response

Description of deficiency

During the audit of debtors we noted that there was an old debtors balance with a company that is under liquidation. We note that the council was not aware of the liquidation until August 2022. Which indicates that the debtors recoverability process has not effectively detected the irrecoverable debt.

Potential effects

Overstatement in debtors due to insufficient recoverability review as required by IFRS 9

Recommendation

Management should have an improved recoverability review process in place where sufficient contact is made with debtors..

Management response

TBC

06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £0.064m . The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

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

Unadjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Income and Expenditure	134			
	Cr: Income received in advance				134
	Income for 22/23 incorrectly recognised in 21/22. [Extrapolated error]				
	Total unadjusted misstatements	134			134

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Asset held for sale			82	
	Cr: Revaluation Reserve				82
	Land recorded at an incorrect fair value				
2	Dr: Council Dwellings			178	
	Cr: Assets Under Construction				178
	Completed asset had not been reclassified to council dwellings				
3	Dr: Other Land and Buildings			436	
	Cr: Income and Expenditure		186		
	Cr: Revaluation Reserve				250
	Adjustment due to incorrect calculations during the fair valuing process				
	Dr: Revaluation Reserve			490	
	Cr: Other Land and Buildings				490
	Adjustment due to incorrect calculations and updated assumptions during the fair valuing process				
Total adjusted misstatements (Subtotal)			186	1,186	1,000

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6. Summary of misstatements

Adjusted misstatements

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
5	DR: Income and Expenditure	235			
	CR: Other Land and Buildings				235
	Disposed garages through demolition to erect dwellings: Hatchets Lane Garages				
6	DR: Income and Expenditure	67			
	CR: Other Land and Buildings				67
	Disposed garages through demolition to erect dwellings: St Mary's Garden Garages				
Total unadjusted misstatements		302	186	1,186	1,302

6. Summary of misstatements

Disclosure amendments

The following disclosure amendments were made by management:

- 1. Rate of increase in pensions' (Increase) has been adjusted from £3.397m to be in line with the Actuary report at £3.847.
- 2. An adjustment is to be made on note 36B, in relation to interest received value from £0.840m to £0.933m

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07

Section 07: **Value for Money**

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report by January 2023.

Status of our work

We are yet to complete our work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing this report, we have not identified any significant weaknesses in arrangements that require us to make a recommendation, however we continue to undertake work on the Council's arrangements.

Our draft audit report at Appendix B outlines that we have not yet completed our work in relation to the Council's arrangements. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in January 2023.

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Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

Appendix A: Draft management representation letter

Mazars LLP

Dear Sirs
Newark and Sherwood District Council - audit for year ended 31 March 2022

This representation letter is provided in connection with your audit of the financial statements of Newark and Sherwood District Council (the Council) for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

I confirm as S151 Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

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

Accounting records

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

Accounting policies

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

Accounting estimates, including those measured at fair value

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

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Group Accounts

I confirm that I have reviewed the accounting transactions of the Council's partnerships and joint ventures and am satisfied that these do not need lead to the need for the Council to prepare group accounts.

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Appendix A: Draft management representation letter

Contingencies

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

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

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

There are no contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:

- All the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;

- All knowledge of fraud or suspected fraud affecting the Council involving:

- O management and those charged with governance;
- O employees who have significant roles in internal control; and
- O others where fraud could have a material effect on the financial statements.

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

Related party transactions

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

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

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of Covid-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

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

Future commitments

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

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Executive summary	Status of audit	Audit approach	Significant findings	Internal control recommendations	Summary of misstatements	Value for Money	Appendices
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Appendix A: Draft management representation letter

Subsequent events

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

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

Covid-19

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

Brexit

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

Ukraine

We confirm that we have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council and there is no significant impact on the Council's operations from restrictions or sanctions in place.

Going concern

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

I have updated our going concern assessment in light of the on-going Covid-19 pandemic. I continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements set out at Appendix A are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Head of Finance and Resources

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Appendix B: Draft Audit report

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Newark and Sherwood District Council ('the Council') and its subsidiaries ('the Group') for the year ended 31 March 2022, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Movement in Reserves Statements, the Council and Group Balance Sheets, the Council and Group Cash Flow Statements, the Housing Revenue Account, the Collection Fund Account, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

- In our opinion, the financial statements:
- give a true and fair view of the financial position of the Council and the Group as at 31st March 2022 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Deputy Chief Executive, Director of Resources and s151 Officer, as Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

conditions that, individually or collectively, may cast significant doubt on the Council's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Deputy Chief Executive, Director of Resources and s151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The Deputy Chief Executive, Director of Resources and s151 Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Head of Finance and Resources for the financial statements

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Deputy Chief Executive, Director of Resources and s151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, and for being satisfied that they give a true and fair view. The Deputy Chief Executive, Director of Resources and s151 Officer is also responsible for such internal control as the Deputy Chief Executive, Director of Resources and s151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Deputy Chief Executive, Director of Resources and s151 Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Deputy Chief Executive, Director of Resources and s151 Officer is responsible for assessing each year whether or not it is appropriate for the



Appendix B: Draft Audit report

Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, the Accounts and Audit Regulations 2015, and the Local Government and Housing Act 1989, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Deputy Chief Executive, Director of Resources and s151 Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council and the Group which were contrary to applicable laws and

regulations, including fraud

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Deputy Chief Executive, Director of Resources and s151 Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in September 2021.

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

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Appendix B: Audit report

Report on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have not completed our work on the Council's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in December 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2022.

We will report the outcome of our work on the Council's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Council

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

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

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

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

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

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

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

We have nothing to report in these respects.

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack; and
- the work necessary to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

David Hoose, Key Audit Partner
For and on behalf of Mazars LLP

Executive summary

Status of audit

Audit approach

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money

Appendices

Appendix C: Independence

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

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

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Appendix D: Other communications

Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ul style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Head of Finance and Resources that Newark and Sherwood District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>

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Appendix D: Other communications

Other communication	Response
Subsequent events	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
Matters related to fraud	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and Those charged with Governance, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



David Hoose, Partner

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.



Report to: Audit & Governance Committee Meeting 1 February 2023

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Andrew Snape, Assistant Business Manager Financial Services on ext 5523

Report Summary	
Report Title	Treasury Management Strategy 2023/24
Purpose of Report	This report seeks approval for the Treasury Management Strategy, which incorporates the Borrowing Strategy, Investment Strategy, and Treasury Prudential Indicators, updated in accordance with latest guidance.
Recommendations	<p>That Committee approves each of the following key elements and recommends these to Full Council on 9 March 2023 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter:</p> <ul style="list-style-type: none"> • The Treasury Management Strategy 2023/24, incorporating the Borrowing Strategy and the Annual Investment Strategy (Appendix A). • The Treasury Prudential Indicators and Limits, contained within Appendix A. • The Authorised Limit Treasury Prudential Indicator contained within Appendix A.
Reason for Recommendation	Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

1.0 Background

1.1 Treasury Management is defined as “The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

1.2 Statutory Requirements:

- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes to set Treasury Prudential Indicators for the next three years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- The Act therefore requires the Council to set out its Treasury Strategy for Borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act). This sets out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 CIPFA Requirements:

The primary requirements of the Code are as follows:

- The creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities;
- The creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives;
- Receipt by the full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy, a Mid-year Review Report and an Annual Report covering activities during the previous year;

1.4 This report seeks approval for the Treasury Management Strategy 2023/24 (Appendix A), which encompasses the Treasury Prudential Indicators, the Borrowing Strategy, and the Annual Investment Strategy, in accordance with latest guidance as follows:

2.0 **Summary of Investment Limits and Indicators**

2.1 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return). No investment limits have been amended for the financial year 2023/24. Also, it is proposed to use the same prudential indicators for the investing activity, further details are in the **Appendix**.

3.0 **Summary of Borrowing Limits and Indicators**

3.1 The Council's borrowing limits are directly affected by the Council's approved capital programme and any capital expenditure financed by borrowing will therefore increase the Capital Financing Requirement (CFR). In respect of the tables within the documents, these reflect the proposed capital programme that will be presented to Cabinet on 21 February 2023 to be approved at Council on 9 March 2023. Where changes occur, these will be reflected in the documents as appropriate. The CFR is the level of expected

borrowing and when compared to the actual external debt the variance represents the over or under borrowing position.

- 3.2 The Council is currently in an under borrowed position which means that previous capital expenditure financed by borrowing hasn't yet required actual external debt due to the timing of cash backed reserves that haven't yet been utilised. However, this is always a temporary position as ultimately when the cash backed reserves are used there will be a requirement for actual external borrowing.
- 3.3 The table below shows the Councils increasing CFR due to capital expenditure financed by borrowing less the actual external debt, with no new borrowing assumptions, less the cash backed reserves and working capital (debtors less creditors), further details are in **Appendix A**.

	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
Loans CFR	178,598	180,874	174,669
Less: External borrowing	-84,935	-81,901	-76,860
Internal (over) borrowing	93,663	98,973	97,809
Less: Usable reserves	-58,774	-68,497	-57,163
Less: Working capital	-10,500	-10,500	-10,500
Investments (or New borrowing)	-24,389	-19,976	-30,146

The table indicates that over the next forecasted three year period there will potentially be a minimum requirement to borrow an additional £30m.

- 3.4 Within the borrowing strategy the following limits are proposed for the operational boundary and authorised limit over the three year period, further details in **Appendix A**.

	2023/24 £'000	2024/25 £'000	2025/26 £'000
Operational Boundary	184,222	186,498	180,293
Authorised Limit	191,422	193,698	187,493

Background Papers and Published Documents

CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes 2011 Edition and the 2017 revised Edition

CIPFA Prudential Code Local Government Act 2003

CIPFA Standard of Professional Practice on Treasury Management

TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

Introduction

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

This strategy covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, DLUHC MRP Guidance, the CIPFA Treasury Management Code and DLUHC Investment Guidance.

Investments held for service purposes or for commercial profit are considered in a different report, the Investment Strategy.

Treasury Management Reporting

The Council is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

- a. **Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report is forward looking and covers:
 - the capital forecast summary;

- the treasury management strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
 - an investment strategy, (the parameters on how treasury investments are to be managed).
- b. A mid-year treasury management report** – This is primarily a progress report and will update members on the treasury position, amending prudential indicators as necessary, and whether any policies require revision.
- c. An annual treasury report** – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

Scrutiny

The above reports and strategies are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Treasury Management training has been undertaken by members on 25 January 2023 and further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

Treasury Management Consultants

The Council uses Link Group, Treasury solutions as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, treasury advisers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

Capital Summary and Liability Benchmark

On 31 December 2022, the Council held £90m of borrowing and £83m of investments. Forecast changes in these sums are shown in the balance sheet analysis table below.

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital expenditure and financing

	2021/22 Actual £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
General Fund services	8,298	39,509	55,483	3,866	2,622
Council housing (HRA)	12,018	24,535	17,545	13,975	6,846
Capital Loan (GF)	761	2,000	8,647	0	0
TOTAL	21,077	66,044	81,675	17,841	9,468
Capital Grants	5,668	23,059	24,193	1,000	860
Other Contributions	567	527	8,548	225	0
Capital Receipts	3,146	4,389	3,062	1,781	1,712
Revenue/ Major Repairs Reserve	5,288	19,601	15,634	8,361	6,896
Borrowing	6,408	18,468	30,238	6,474	0
TOTAL	21,077	66,044	81,675	17,841	9,468

The Council's borrowing need (the Capital Financing Requirement)

	2021/22 Actual £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
General Fund CFR	26,546	38,560	63,647	62,484	61,320
HRA CFR	110,994	113,323	115,175	118,614	113,573
Total CFR	137,540	151,883	178,822	181,098	174,893
Less: Other debt liabilities	-224	-224	-224	-224	-224
Loans CFR	137,316	151,659	178,598	180,874	174,669
Less: External borrowing	-97,110	-90,469	-84,935	-81,901	-76,860
Internal (over) borrowing	40,206	61,190	93,663	98,973	97,809
Less: Usable reserves	-77,049	-59,171	-58,774	-68,497	-57,163
Less: Working capital	-7,122	-10,500	-10,500	-10,500	-10,500
Investments (or New borrowing)	43,965	8,481	-24,389	-19,976	-30,146

The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's indebtedness and so it's underlying borrowing need. The Council's current strategy is to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The Council has an increasing CFR due to the proposed capital programme, and diminishing investments and will therefore be required to borrow up to a minimum of an additional £30m over the forecast period.

CIPFA's *Prudential Code for Capital Finance in Local Authorities* recommends that the Council's total debt should be lower than its highest forecast CFR over the next three years. The table above shows that the Council expects to comply with this recommendation during 2023/24.

Liability benchmark: A liability benchmark has been calculated showing the lowest level of borrowing required. This assumes the same forecasts as the table above, but that cash and investment balances are kept to a minimum level of £10m, as per MiFID II, at each year-end to maintain sufficient liquidity but minimise credit risk.

	2021/22 Actual £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
Loans CFR	137,316	151,659	178,598	180,874	174,669
Less: Usable reserves	-77,049	-59,171	-58,774	-68,497	-57,163
Less: Working capital	-7,122	-10,500	-10,500	-10,500	-10,500
Plus: Minimum investments	10,000	10,000	10,000	10,000	10,000
Liability Benchmark	63,145	91,988	119,324	111,877	117,006

Borrowing Strategy

The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions.

Objectives: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

Current Borrowing portfolio position

The Council's treasury portfolio position, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

	2021/22 Actual £'000	2022/23 Forecast £'000	2023/24 Forecast £'000	2024/25 Forecast £'000	2025/26 Forecast £'000
External Debt					
Debt at 1 April	95,212	97,334	90,803	85,269	82,234
Expected change in Debt	1,898	-6,755	-5,758	-3,259	-5,265
Other long-term liabilities	224	224	224	224	224
Actual gross debt at 31 March	97,334	90,803	85,269	82,234	77,193
The Capital Financing Requirement	137,540	151,883	178,822	181,098	174,893

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2023/24 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

Treasury Indicators: limits to borrowing activity

Operational Boundary for External Debt: The operational boundary is based on the Council's estimate of most likely (i.e. prudent but not worst case) scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise of finance leases, Private Finance Initiatives and other liabilities that are not borrowing but form part of the Council's debt.

Operational Boundary	2022/23 Revised £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Borrowing	156,883	183,822	186,098	179,893
Other long-term liabilities	400	400	400	400
Total Debt	157,283	184,222	186,498	180,293

Authorised Limit for External Debt: The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

Authorised Limit	2022/23 Revised £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
Borrowing	163,883	190,822	193,098	186,893
Other long-term liabilities	600	600	600	600
Total Debt	164,483	191,422	193,698	187,493

Separately, the Council has previously been limited to a maximum HRA CFR through the HRA self-financing regime and the Government set HRA Debt cap, however on 30 October 2018 the Government removed the HRA Debt cap. The Council deems it prudent to have a limit on the borrowing for the HRA, therefore it has chosen to use the Interest Cover Ratio (ICR) as its borrowing boundary for the HRA. The ICR represents the cover that the HRA has against its interest cost liabilities in any year. The ICR is set to a minimum which provides comfort that if there were a sudden drop in income or increase in operating costs, there would be sufficient headroom to continue to cover debt interest payments. The typical lending covenants used with the ratio varies between 1.10 and 1.50, the lower rate represents less cover and higher rate represents more cover, the Council will use the most prudent approach and therefore use 1.50 within the ratio to provide the most comfort of interest costs cover. The ICR has been modelled into the current HRA 30 year business plan and the maximum additional debt capacity set is £30.648m in order to maintain affordability in each financial year:

HRA Debt Limit	2022/23 Revised £'000	2023/24 Estimate £'000	2024/25 Estimate £'000	2025/26 Estimate £'000
HRA CFR	113,323	115,175	118,614	113,573
Additional ICR Debt Capacity	30,648	30,648	30,648	30,648
HRA Authorised Limit	143,971	145,823	149,262	144,221

Maturity structure of borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed and variable rate borrowing will be:

	Upper	Lower
Under 12 months	15%	0%
12 months and within 24 months	15%	0%
24 months and within 5 years	30%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Strategy: The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels once prevailing inflation concerns are addressed by tighter near-term monetary policy. That is, Bank Rate increases over the remainder of 2023.

Against this background and the risks within the economic forecast, caution will be adopted with the 2023/24 treasury operations. The Director of Resources/Deputy Chief Executive will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

The benefits of internal or short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Link will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2023/24 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

Alternatively, the Council may arrange forward starting loans during 2023/24, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a cost of carry in the intervening period.

In addition, the Council may borrow (normally for up to one month) short-term loans to cover unplanned cash flow shortages.

Sources of borrowing: Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following additional sources.

The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- UK Municipal Bonds Agency plc any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- any other UK public sector body
- UK public and private sector pension funds
- capital market bond investors

- Finance Leases

Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

LOBOs: The Council holds £3.5m of LOBO (Lender's Option Borrower's Option) loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £3.5m of these LOBOs have options during 2023/24, and although the Council understands that lenders are unlikely to exercise their options in the current low interest rate environment, there remains an element of refinancing risk. The Council will take the option to repay LOBO loans at no cost if it has the opportunity to do so. Total borrowing via LOBO loans will be limited to £0m.

Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators.

Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. Rescheduling of current borrowing in our debt portfolio is unlikely to occur. If rescheduling was done, it will be reported to Council, at the earliest meeting following its action.

Policy on borrowing in advance of need: The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Policy on internal borrowing interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. In the future, new long-term loans borrowed will be assigned in their entirety to one pool or the other.

Interest payable and other costs/income arising from long-term loans (e.g. premiums and discounts on early redemption) will be charged/ credited to the respective revenue account. Differences between the value of the HRA loans pool and the HRA's underlying need to borrow (capital financing requirement) will result in an internal borrowing situation. The internal borrowing on the HRA will be charged at the 25 year fixed maturity interest rate for PWLB for the 31 March for the relevant financial year with the credit going to the General Fund balance.

Investment Strategy

Management of Risk

The Department of Levelling Up, Housing and Communities (DLUHC) and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy and Investment Strategy.

The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021

The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. The Council has adopted a prudent approach to managing risk.

The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 9 months, the Council's investment balance has ranged between £52 and £83 million. Levels available for investment are affected by capital expenditure and use of reserves, both will continue to be monitored throughout the financial year.

Objectives: As the CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

Strategy: Given the continued risk and market volatility, the Council aims to continue investing into secure and/or higher yielding asset classes during 2023/24. This is especially the case for the estimated £15m that is potentially available for longer-term investment. The majority of the Council's surplus cash is currently invested in short-term unsecured bank deposits and money market funds.

Business models: As a result of the change in accounting standards under IFRS 9, the Council must consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. The Department for Levelling Up, Housing and Communities (DLHUC) has released a consultation in advance of the current expiry of the qualifying Pooled Fund override to IFRS 9 accounting requirements. The current regulation 30K, which was introduced on 1 April 2018 will come to an end on 31 March 2023. The consultation had a closing date of 7 October 2022 and Ministers have decided to extend the existing IFRS9 statutory override for a further 2 years until 31 March 2025.

Creditworthiness Policy; The primary principle governing the Council’s investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

1. It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security; and
2. It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council’s prudential indicators covering the maximum principal sums invested.

The Director of Resources/Deputy Chief Executive will maintain a counterparty list in compliance with the following criteria in the table below and will revise the criteria and submit them to Council for approval as necessary.

Credit rating information is supplied by Link Group, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating Watches (notification of a likely change), rating Outlooks (notification of the longer-term bias outside the central rating view) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating Watch applying to counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

Use of additional information other than credit ratings. Additional requirements under the Code require the Council to supplement credit rating information. Whilst the below criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, rating Watches/Outlooks) will be applied to compare the relative security of differing investment opportunities.

Time and monetary limits applying to investments. The time and monetary limits for institutions on the Council’s counterparty list are as follows:

Credit rating	Banks unsecured	Banks secured	Government	Corporates	Registered Providers
UK Govt	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£8m 5 years	£10m 20 years	£20m 50 years	£5m 20 years	£5m 20 years
AA+	£6m 5 years	£10m 10 years	£10m 25 years	£5m 10 years	£5m 10 years
AA	£6m 4 years	£10m 5 years	£10m 15 years	£5m 5 years	£5m 10 years
AA-	£6m 3 years	£10m 4 years		£5m 4 years	£5m 10 years
A+	£6m 2 years	£10m 3 years		£5m 3 years	£5m 5 years

A	£6m 13 months	£10m 2 years		£5m 2 years	£5m 5 years
A-	£5m 6 months	£10m 13 months		£5m 13 months	£5m 5 years
None		n/a			£5m 5 years
Pooled funds and real estate investment trusts		£15m per fund or trust			

This table must be read in conjunction with the notes below

Credit rating: Investment limits are set by reference to the lowest published long-term credit rating from a selection of external rating agencies. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

Banks unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Banks secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to bail-in, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Pooled funds: Shares or units in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide

diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.

Real estate investment trusts: Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.

Operational bank accounts: The Council will incur operational exposures through its current accounts, with Lloyds Bank. These are not classed as investments, but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £850,000 net in the bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.

Country and sector limits: Due care will be taken to consider the country, group and sector exposure of the Council's investments.

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA (excluding UK) from Fitch (or equivalent). This list will be added to, or deducted from by officers should ratings change in accordance with this policy.

Investment limits: In order to limit the amount of reserves that will be potentially put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government) will be £15 million. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below. Investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries.

Investment limits

	Cash limit
Any single organisation, except the UK Central Government	£15m each
UK Central Government	unlimited
Any group of organisations under the same ownership	£15m per group
Any group of pooled funds under the same management	£15m per manager
Negotiable instruments held in a broker's nominee account	£10m per broker
Foreign countries	£10m per country
Registered providers and registered social landlords	£10m in total
Unsecured investments with building societies	£10m in total
Loans to unrated corporates	£15m in total
Local Authorities	£15m each
Money market funds	£12m each
Real estate investment trusts	£10m in total

Liquidity management: The forecast is compiled on a prudent basis to minimise the risk of the Council being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Council's medium-term financial plan and cash flow forecast.

Policy on internal investment interest to the HRA: On 1st April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Interest receivable for HRA balance sheet resources available for investment will result in a notional cash balance. This balance will be measured at the end of the financial year and interest transferred from the General Fund to the HRA at the average investment rate for a DMO investment for the financial year due to the General Fund carrying all the credit risk per investment.

Investment returns expectations: The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows:

2023/24	4.00%
2024/25	3.30%
2025/26	2.60%
2026/27	2.50%

Treasury Indicators: limits to investing activity

The Council measures and manages its exposures to treasury management risks using the following indicators.

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

Credit risk indicator	Target
Portfolio average credit rating	A

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

Liquidity risk indicator	Target	Limit
Total cash available within;		
3 months	30%	100%
3 – 12 months	30%	80%
Over 12 months	40%	60%

Interest rate exposures: This indicator is set to control the Council's exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	Limit
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	£200,000
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	£200,000

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at current rates.

Principal sums invested for periods longer than a year: The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24	2024/25	2025/26
Limit on principal invested beyond year end	£15m	£15m	£15m

Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

The DLUHC issued Investment Guidance in 2018, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for Councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code and will apply its principles to all investment activity. In accordance with the Code, the Director of Resources has produced its treasury management practices (TMPs). This part, TMP 1, covering investment counterparty policy requires approval each year.

Annual investment strategy - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments.
- The principles to be used to determine the maximum periods for which funds can be committed.

Strategy guidelines – The main strategy guidelines are contained in the body of the treasury strategy statement and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in institutions.

The monitoring of investment counterparties - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Link Group as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Director of Resources, and if required new counterparties which meet the criteria will be added to the list.

Treasury Management Scheme of Delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;

(ii) Audit and Governance Committee

- reviewing the treasury management policy and procedures and making recommendations to the responsible body;
- receiving and reviewing regular monitoring reports and acting on recommendations; and
- approving the selection of external service providers and agreeing terms of appointment.

The Treasury Management Role of the Section 151 Officer

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers;
- preparation of a capital strategy to include capital expenditure, capital financing, and treasury management, with a long term timeframe;
- ensuring that the capital strategy is prudent, sustainable, affordable and prudent in the long term and provides value for money;
- ensuring that due diligence has been carried out on all treasury is in accordance with the risk appetite of the authority;
- ensure that the authority has appropriate legal powers to undertake expenditure on non-financial assets and their financing;
- ensuring the proportionality of all investments so that the authority does not undertake a level of investing which exposes the authority to an excessive level of risk compared to its financial resources;
- ensuring that an adequate governance process is in place for the approval, monitoring and ongoing risk management of all non-financial investments and long term liabilities;
- provision to members of a schedule of all non-treasury investments including material investments in subsidiaries, joint ventures, loans and financial guarantees ;
- ensuring that members are adequately informed and understand the risk exposures taken on by an authority;
- ensuring that the authority has adequate expertise, either in house or externally provided, to carry out the above; and
- creation of Treasury Management Practices which specifically deal with how non treasury investments will be carried out and managed.

Economic Background and Interest Rate Forecast

Against a backdrop of stubborn inflationary pressures, the easing of Covid restrictions in most developed economies, the Russian invasion of Ukraine, and a range of different UK Government policies, it is no surprise that UK interest rates have been volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2022.

Market commentators' misplaced optimism around inflation has been the root cause of the rout in the bond markets with, for example, UK, EZ and US 10-year yields all rising by over 200bps since the turn of the year. The table below provides a snapshot of the conundrum facing central banks: inflation is elevated but labour markets are extra-ordinarily tight, making it an issue of fine judgment as to how far monetary policy needs to tighten.

	UK	Eurozone	US
Bank Rate	3.5%	2.0%	4.25%-4.50%
GDP	-0.2%q/q Q3 (2.4%y/y)	+0.2%q/q Q3 (2.1%y/y)	2.6% Q3 Annualised
Inflation	10.7%y/y (Nov)	10.1%y/y (Nov)	7.1%y/y (Nov)
Unemployment Rate	3.7% (Oct)	6.5% (Oct)	3.7% (Nov)

Q2 of 2022 saw UK GDP revised upwards to +0.2% q/q, but this was quickly reversed in the third quarter, albeit some of the fall in GDP can be placed at the foot of the extra Bank Holiday in the wake of the Queen's passing. Nevertheless, CPI inflation has picked up to what should be a peak reading of 11.1% in October, although with further increases in the gas and electricity price caps pencilled in for April 2023, and the cap potentially rising from an average of £2,500 to £3,000 per household, there is still a possibility that inflation will spike higher again before dropping back slowly through 2023.

The UK unemployment rate fell to a 48-year low of 3.6%, and this despite a net migration increase of c500k. The fact is that with many economic participants registered as long-term sick, the UK labour force actually shrunk by c500k in the year to June. Without an increase in the labour force participation rate, it is hard to see how the UK economy will be able to grow its way to prosperity, and with average wage increases running at over 6% the MPC will be concerned that wage inflation will prove just as sticky as major supply-side shocks to food and energy that have endured since Russia's invasion of Ukraine on 22nd February 2022.

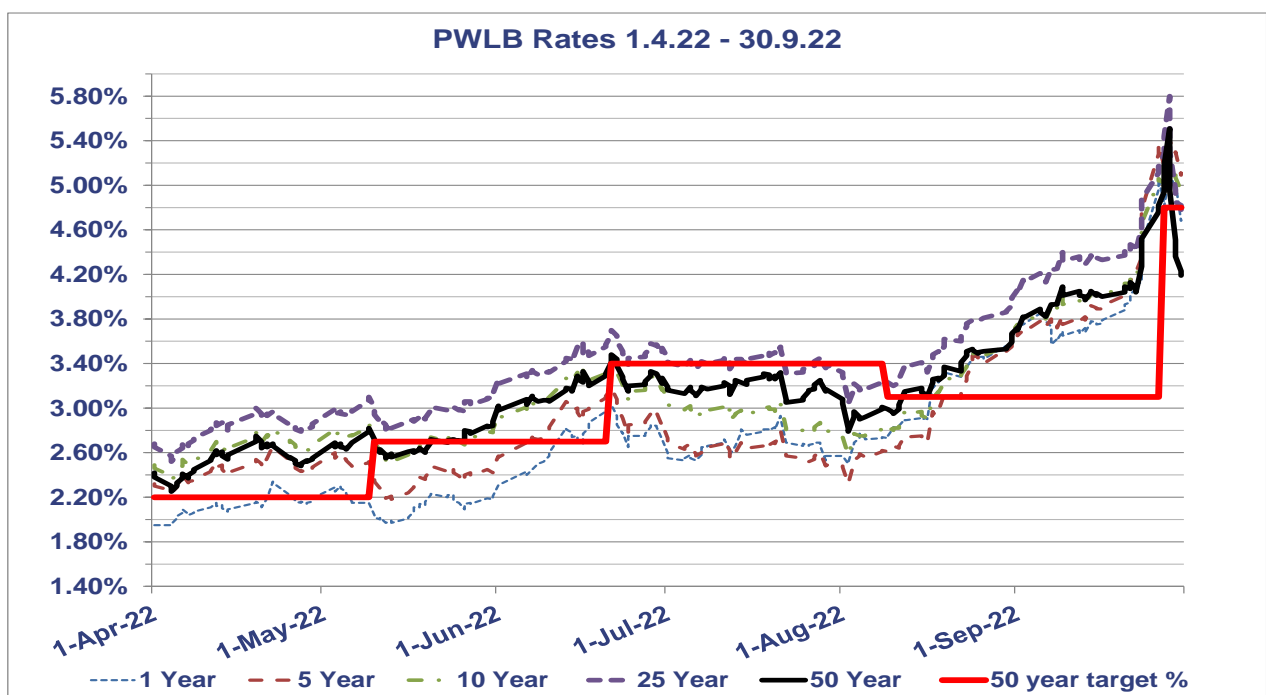
Throughout Q3 Bank Rate increased, finishing the quarter at 2.25% (an increase of 1%). Q4 has seen rates rise to 3.5% in December and the market expects Bank Rate to hit 4.5% by May 2023.

Following a Conservative Party leadership contest, Liz Truss became Prime Minister for a tumultuous seven weeks that ran through September and October. Put simply, the markets did not like the unfunded tax-cutting and heavy spending policies put forward by her Chancellor, Kwasi Kwarteng, and their reign lasted barely seven weeks before being replaced by Prime Minister Rishi Sunak and Chancellor Jeremy Hunt. Their Autumn Statement of 17th November gave rise to a net £55bn fiscal tightening, although much of the "heavy lifting" has been left for the next Parliament to deliver. However, the markets liked what they heard, and UK gilt yields have almost completely reversed the increases seen under the previous tenants of No10/11 Downing Street.

Globally, though, all the major economies are expected to struggle in the near term. The fall below 50 in the composite Purchasing Manager Indices for the UK, US, EZ and China all point to at least one, if not more, quarters of GDP contraction. In November, the MPC projected eight quarters of negative growth for the UK lasting throughout 2023 and 2024, but with Bank Rate set to peak at lower levels than previously priced in by the markets and the fiscal tightening deferred to some extent, it is not clear that things will be as bad as first anticipated by the Bank.

The £ has strengthened of late, recovering from a record low of \$1.035, on the Monday following the Truss government's "fiscal event", to \$1.22. Notwithstanding the £'s better run of late, 2023 is likely to see a housing correction of some magnitude as fixed-rate mortgages have moved above 5% and affordability has been squeezed despite proposed Stamp Duty cuts remaining in place.

In the table below, the rise in gilt yields, and therein PWLB rates, through the first half of 2022/23 is clear to see.



However, the peak in rates on 28th September as illustrated in the table covering April to September 2022 below, has been followed by the whole curve shifting lower. PWLB rates at the front end of the curve are generally over 1% lower now whilst the 50 years is over 1.75% lower.

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

After a shaky start to the year, the S&P 500 and FTSE 100 have climbed in recent weeks, albeit the former is still 17% down and the FTSE 2% up. The German DAX is 9% down for the year.

CENTRAL BANK CONCERNS – DECEMBER 2022

In December, the Fed decided to push up US rates by 0.5% to a range of 4.25% to 4.5%, whilst the MPC followed by raising Bank Rate from 3% to 3.5%, in line with market expectations. EZ rates have also increased to 2% with further tightening in the pipeline.

Having said that, the sentiment expressed in the press conferences in the US and the UK were very different. In the US, Fed Chair, Jerome Powell, stated that rates will be elevated and stay higher for longer than markets had expected. Governor Bailey, here in the UK, said the opposite and explained that the two economies are positioned very differently so you should not, therefore, expect the same policy or messaging.

Regarding UK market expectations, although they now expect Bank Rate to peak within a lower range of 4.5% - 4.75%, caution is advised as the Bank of England Quarterly Monetary Policy Reports have carried a dovish message over the course of the last year, only for the Bank to have to play catch-up as the inflationary data has proven stronger than expected.

In addition, the Bank's central message that GDP will fall for eight quarters starting with Q3 2022 may prove to be a little pessimistic. Will the £160bn excess savings accumulated by households through the Covid lockdowns provide a spending buffer for the economy – at least to a degree? Ultimately, however, it will not only be inflation data but also employment data that will mostly impact the decision-making process, although any softening in the interest rate outlook in the US may also have an effect (just as, conversely, greater tightening may also).

INTEREST RATE FORECASTS

Significant downside risks to the forecasts

Labour and supply shortages prove more enduring and disruptive and depress economic activity (accepting that in the near-term this is also an upside risk to inflation and, thus, rising gilt yields).

1.

The Bank of England acts too quickly, or too far, over the next year to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.

1.

UK / EU trade arrangements – if there was a major impact on trade flows and financial services due to complications or lack of co-operation in sorting out significant remaining issues.

Geopolitical risks, for example in Ukraine/Russia, China/Taiwan/US, Iran, North Korea and Middle Eastern countries, which could lead to increasing safe-haven flows.

Significant upside risks to the forecasts

2. The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly and for a longer period within the UK economy, which then necessitates Bank Rate staying higher for longer than we currently project or even necessitates a further series of increases in Bank Rate.
- 3.
4. **The Government** acts too quickly to cut taxes and/or increases expenditure in light of the cost-of-living squeeze.
5. **The pound weakens** because of a lack of confidence in the UK Government's fiscal policies, resulting in investors pricing in a risk premium for holding UK sovereign debt.
6. Longer term **US treasury yields** rise strongly and pull gilt yields up higher than currently forecast.
7. Projected **gilt issuance, inclusive of natural maturities and QT**, could be too much for the markets to comfortably digest without higher yields consequently.

The balance of risks to the UK economy: -

The overall balance of risks to economic growth in the UK is to the downside.

Summary overview of the future path of the Bank Rate

Our central forecast for interest rates was previously updated on 8 November and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.

Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.

The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.

Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure, now that the short-lived effects of the Truss/Kwarteng unfunded dash for growth policy are firmly in the rear-view mirror.

In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact.)

On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

Forecasts for PWLB rates and gilt and treasury yields

We now expect the MPC to continue to increase Bank Rate during Q1 and Q2 2023 to combat on-going inflationary and wage pressures. We do not think that the MPC will increase Bank Rate above 4.5%, but it is possible.

The overall longer-run trend is for gilt yields and PWLB rates to fall back over the timeline of our forecasts, as inflation starts to fall through 2023.

Interest Rate Forecasts 2023 – 2025

PWLB forecasts shown below have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012.

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20



Report to: Audit & Governance Committee Meeting 1 February 2023

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Andrew Snape, Assistant Business Manager Financial Services on ext 5523

Report Summary	
Report Title	Capital Strategy 2023/24
Purpose of Report	To seek Committee approval to the Capital Strategy 2023/24, this incorporates the Minimum Revenue Provision Policy and Capital Prudential Indicators, updated in accordance with latest guidance.
Recommendations	That Committee approves each of the following key elements and recommends these to Full Council on 9 March 2023 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter: <ul style="list-style-type: none"> • The Capital Strategy 2023/24 Appendix A. • The Capital Prudential Indicators and Limits for 2023/24, contained within Appendix A. • The Minimum Revenue Provision (MRP) Policy Statement as contained within Appendix C, which sets out the Council’s policy on MRP. • The Flexible Use of Capital Receipts Strategy, contained with Appendix D.
Reason for Recommendation	Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

1.0 Background

1.1 The Capital Strategy outlines the principles and framework that shape the Council’s capital decisions. The principal aim is to deliver a programme of capital investment that contributes to the achievement of the Council’s priorities and objectives as set out in the Corporate Plan.

1.2 The Strategy defines at the highest level how the capital programme is to be formulated; it identifies the issues and options that influence capital spending and sets out how the resources and capital programme will be managed.

1.3 Statutory Requirements:

- The Local Government Act 2003 (the Act) and supporting regulations requires the Council to ‘have regard to’ the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Capital Prudential Indicators each financial year to ensure that the Council’s capital investment plans are affordable, prudent and sustainable.

1.4 CIPFA Requirements:

- The Prudential Indicators set out the expected capital activities during the financial year (as required by the CIPFA Prudential Code for Capital Finance in Local Authorities).
- Delegation by the Council of the role of scrutiny of Capital Strategy and Policies to a specific named body. For this Council the delegated body is the Audit and Accounts Committee.

2.0 Summary of Capital Expenditure and Financing

2.1 The table below summaries the total forecasted capital expenditure and financing over the next three years, further breakdown is contained within the Strategy;

	2023/24 budget	2024/25 budget	2025/26 budget
Total Capital Expenditure	81,675	17,841	9,468
Capital Grants	24,193	1,000	860
Other Contributions	8,548	225	0
Capital Receipts	3,062	1,781	1,712
Revenue/ Major Repairs Reserve	15,634	8,361	6,896
Borrowing	30,238	6,474	0
Total Capital Financing	81,675	17,841	9,468

Background Papers and Published Documents

CIPFA Prudential Code Local Government Act 2003

CIPFA Treasury Management Code of Practice

Capital Strategy Report 2023/24

Introduction

This capital strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services along with an overview of how associated risk is managed and the implications for future financial sustainability. It has been written in an accessible style to enhance stakeholders' understanding of these sometimes technical areas.

As well as detailing the approved capital programme, the document also sets out the Council's ambitions over the medium to longer term.

The basic elements of the Strategy therefore include:

- A direct relationship to the Community Plan;
- An investment programme expressed over the medium to long term;
- A framework that prioritises the use of capital resources;
- A consideration of the need to pursue external financing (grants, contributions, borrowing etc), which reconcile external funding opportunities with the Council's priorities and organisational objectives, so that it is the achievement of the latter that directs effort to secure the former; and
- A direct relationship with the Treasury Management Strategy, and the limitations on activity through the treasury management Prudential Indicators.

This document is intended for the use by all stakeholders to show how the Council makes decisions on capital investment:

- for Cabinet and Council – to decide on capital investment policy within the overall context of investment need/opportunity and affordability;
- for Councillors – to provide an understanding of the need for capital investment and help them scrutinise policy and management;
- for Officers – to provide an understanding of the Council's capital investment priorities, to assist them in bidding for capital resources, and to confirm their role in the capital project management and monitoring arrangements;
- for taxpayers – to demonstrate how the Council seeks to prudently manage capital resources and look after its assets; and
- for partners – to share with them our Vision and help to co-ordinate and seek further opportunities for joint ventures.

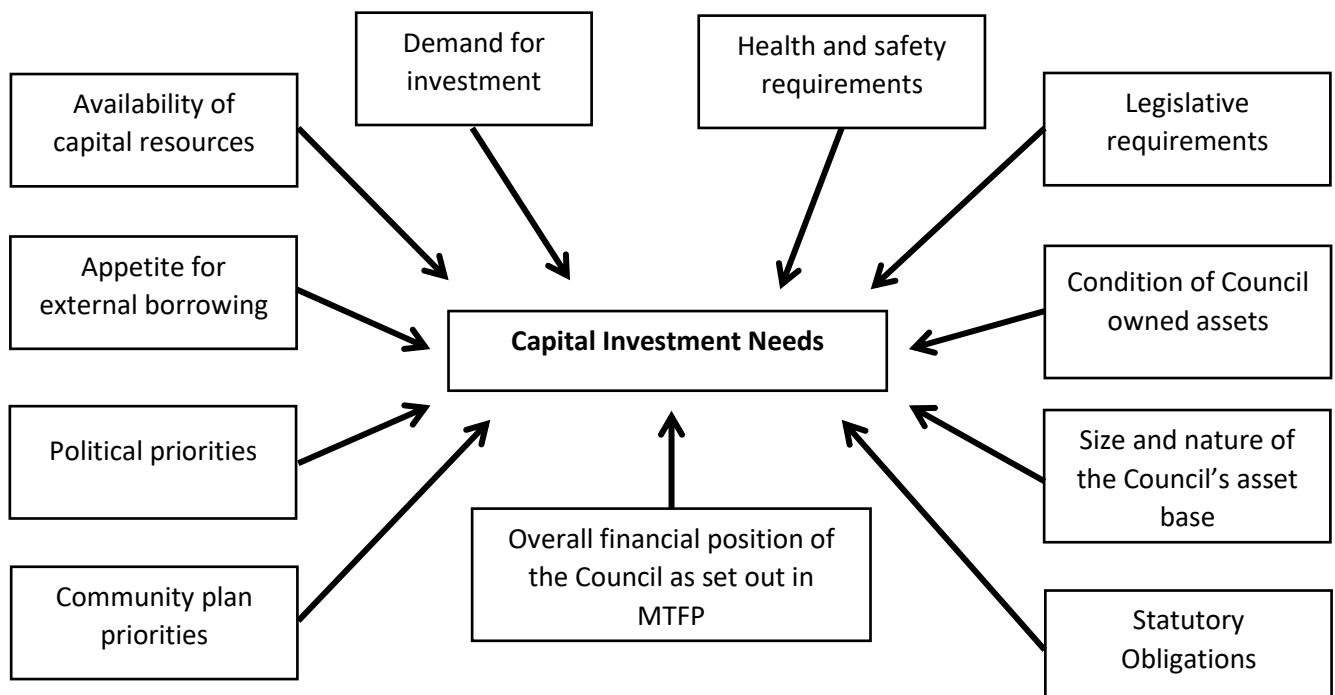
CAPITAL INVESTMENT PRIORITIES

The aim of the Council is to make a sustainable improvement to the long-term quality of life of our residents. The Community Plan 2020-2023 sets out the Vision for Newark and Sherwood. This Vision is intended to be external facing and clearly indicates the Council's ambition for the district and the people within it.

Underpinning the Council's contribution to the Community Plan vision are seven Corporate Objectives. These are:

- *Create vibrant and self-sufficient local communities where residents look out for each other and actively contribute to their local area;*
- *Deliver inclusive and sustainable economic growth;*
- *Create more and better quality homes through our roles as landlord, developer and planning authority;*
- *Continue to maintain the high standard of cleanliness and appearance of the local environment;*
- *Enhance and protect the district's natural environment;*
- *Reduce crime and anti-social behaviour and increase feelings of safety in our communities;*
- *Improve the health and wellbeing of local residents.*

Capital investment should be directly linked to the objectives as outlined in the Community Plan. There are however a number of other factors that affect the need for capital investment both internal and external. The diagram below identifies a number of these:



Capital Expenditure and Financing

Capital expenditure is where the Council spends money on assets, such as property or vehicles that will be used for more than one year. In local government this includes spending on assets owned by other bodies and loans and grants to other bodies enabling them to buy assets. The Council has some limited discretion on what counts as capital expenditure, for example assets costing below £15,000 are not capitalised and are charged to revenue in year in accordance with its de minimus limits as set out in the Financial Regulations.

- For details of the Council's policy on capitalisation, see: Accounting Policy 1.17 under note 1 of the Councils Statement of Accounts.

In 2023/24, the Council is planning capital expenditure of £81.7m as summarised below:

Prudential Indicator 9: Estimates of Capital Expenditure in £'000

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund services	8,298	39,509	55,483	3,866	2,622
Council housing (HRA)	12,018	24,535	17,545	13,975	6,846
Capital Loan (GF)	761	2,000	8,647	0	0
TOTAL	21,077	66,044	81,675	17,841	9,468

The General Fund Capital Programme with a proposed budget for 2023/24 of £64.1m. Of this amount, expenditure on the Council's General Fund assets totals £18.3m, and £0.8m will provide Disabled Facilities Grants to a number of private dwellings during the year. Also during 2023/24 the Council also plans to make available £8.6m of capital funding in the form of capital loans to the Councils housing development company for regeneration purposes.

The Housing Revenue Account (HRA) is a ring-fenced account which ensures that council housing does not subsidise, or is itself subsidised, by other local services. HRA capital expenditure is therefore recorded separately, and has a proposed budget for 2023/24 of £17.5m, which supports the maintenance of the Councils circa 5,500 council houses.

Governance: During early July a 'Capital Bid Request Form' is sent to all Business Managers and Directors. Each bid is required to include details of the nature of the scheme and how it meets the priorities within the Community Plan. It must also include detailed costs for expenditure and all financing costs (which can be nil if the project is fully externally financed) in order to assess the viability of each scheme against the available resources. All bids are required to be authorised by the relevant director and then collated by the Capital Finance team.

The Senior Leadership Team appraises all bids based on a comparison of service priorities against financing costs. Criteria can be found at **Appendix E**. Based on this assessment a final Capital Programme report is prepared for submission to Cabinet in February before final approval by Council in March.

- Full details of the 'Capital Bid Request Form' and the prioritisation criteria can be found at **Appendix E**.

All capital expenditure must be financed, either from external sources (government grants and other contributions), the Council's own resources (revenue, reserves and capital receipts) or debt (borrowing, leasing and Private Finance Initiative). The planned financing of the above expenditure is as follows:

Prudential Indicator 9: Capital financing in £'000

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
<u>External sources</u>					
Capital Grants	5,668	23,059	24,193	1,000	860
Other Contributions	567	527	8,548	225	0
<u>Own resources</u>					
Capital Receipts	3,146	4,389	3,062	1,781	1,712
Revenue/ Major Repairs Reserve	5,288	19,601	15,634	8,361	6,896
<u>Debt</u>					
Borrowing	6,408	18,468	30,238	6,474	0
Leasing	0	0	0	0	0
TOTAL	21,077	66,044	81,675	17,841	9,468

Debt is only a temporary source of finance, since loans and leases must be repaid this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). This is a charge to the General Fund Balance and is mandated by legislation to ensure that a prudent charge for the repayment of debt be made by the revenue account. An MRP Statement which sets out how this charge should be calculated each year must be produced which is appended at **Appendix C**.

As the HRA account is self-financing there is no requirement for an MRP charge as the actual debt repayments are made as the loans mature. Alternatively, proceeds from selling capital assets (known as capital receipts) may be used to replace debt finance. The forecast General Fund MRP charge and the HRA actual debt loan repayments are below:

Replacement of debt finance in £'000

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund - MRP	853	594	765	1,164	1,164
General Fund – RHH Ltd	3,147	0	0	0	0
HRA - Debt Repayment	3,029	6,531	5,534	3,034	5,041

The Council's cumulative outstanding amount of debt finance is measured by the capital financing requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and loan debt repayments and capital receipts used to replace debt. The CFR is expected to increase by £26.9m during 2023/24. Based on the above figures for expenditure and financing, the Council's estimated CFR is as follows:

Prudential Indicator 10: Estimates of Capital Financing Requirement in £'000

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund services	25,784	35,800	52,239	51,076	49,912
Council housing (HRA)	110,994	113,323	115,175	118,614	113,573
Capital investments	762	2,760	11,408	11,408	11,408
TOTAL CFR	137,540	151,883	178,822	181,098	174,893

Asset management: The overriding objective of asset management within the council is to achieve a corporate portfolio of property assets that is appropriate, fit for purpose and affordable. The council's property portfolio consists of operational property and property held for specific community or regeneration purposes. The council has specific reasons for owning and retaining property:

- Operational purposes e.g. assets that support core business and service delivery e.g. office buildings.
- Parks, playgrounds and open spaces.
- Regeneration, enabling strategic place shaping and economic growth.

Asset management is an important part of the council's business management arrangements and is crucial to the delivery of efficient and effective services, the ongoing management and maintenance of capital assets will be considered as part of this strategy. The asset management planning includes an objective to optimise the council's land and property portfolio through proactive estate management and effective corporate arrangements for the acquisition and disposal of land and property assets.

Asset disposal: The Council will continue to realise the value of any properties that have been declared surplus to requirements in a timely manner, having regard to the prevailing market conditions in order to maximise the sale proceeds, known as capital receipts, which can then be spent on new assets or

repay debt. The Council is currently also permitted to spend capital receipts on service transformation projects until 2025/26, although the Council does not expect to utilise this ability during 2023/24. Repayments of capital grants, loans and investments also generate capital receipts.

- The Council’s Flexible Use of Capital Receipts Policy is available at **Appendix D**.

Treasury Management

Treasury management is concerned with keeping sufficient, but not excessive, cash available to meet the Council’s spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Council typically has a surplus of cash in the short-term as revenue income is received before it is spent, but a shortfall of cash in the long-term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

Due to decisions taken in the past, the Council at 31 December 2022 had £90m borrowing at an average interest rate of 3.4% and £83m treasury investments at an average rate of 1.9%.

Borrowing strategy: The Council’s main objectives when borrowing are to achieve a low but certain cost of finance while retaining flexibility should plans change in future. These objectives are often conflicting, and the Council therefore seeks to strike a balance between cheap short-term loans (currently available at around 2.75%) and long-term fixed rate loans where the future cost is known but higher (currently between 3.5% to 4.0% depending on the length of the loan).

The table below shows the Council’s actual debt position against the forecasted capital financing requirement, where no additional borrowing has been included based on the proposed capital program.

Gross Debt and the Capital Financing Requirement in £’000

Debt	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
External Debt					
Debt at 1 April	95,212	97,334	90,803	85,269	82,234
Expected change in Debt	1,898	-6,755	-5,758	-3,259	-5,265
Other long-term liabilities (OLTL)	224	224	224	224	224
Actual gross debt at 31 March	97,334	90,803	85,269	82,234	77,193
The Capital Financing Requirement	137,540	151,883	178,822	181,098	174,893
Under / (over) borrowing	40,206	61,080	93,553	98,864	97,700

Statutory guidance is that debt should remain below the capital financing requirement, except in exceptional circumstances that may incur for a short-term. As can be seen from the table above, the Council expects to comply with this in the medium term.

Affordable borrowing limit: The Council is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

Authorised limit and operational boundary for external debt in £'000

	2022/23 revised	2023/24 limit	2024/25 limit	2025/26 limit
Authorised limit – total external debt	164,483	191,422	193,698	187,493
Operational boundary – total external debt	157,283	184,222	186,498	180,293

- Further details on borrowing are in pages 4 to 7 of the treasury management strategy.

Investment strategy: Treasury investments arise from receiving cash before it is paid out again. Investments made for service reasons may be for purely financial gain or in order to stimulate the local economy and are not generally considered to be part of treasury management.

The Council’s policy on treasury investments is to prioritise security and liquidity over yield, which is to focus on minimising risk rather than maximising returns. Cash that is likely to be spent over the short - term is invested securely, for example with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely, including in bonds, shares and property funds, to balance the risk of loss against the risk of receiving returns below inflation. Both short-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Council may request its money back at short notice.

Treasury management investments in £'000

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
Short-term investments	66,895	47,916	41,649	48,455	40,521
Longer-term investments	7,500	11,979	17,849	20,766	17,366
TOTAL	74,395	59,895	59,498	69,221	57,887

- Further details on treasury investments are in pages 8 to 13 of the treasury management strategy.

Governance: Decisions on treasury management investment and borrowing are made daily and are therefore delegated to the Director of Resources/Deputy Chief Executive and treasury staff, who must act in line with the Treasury Management Strategy approved by Full Council. Half yearly reports on treasury management activity are presented to the Audit and Governance committee and then to Full Council. The Audit and Governance committee is responsible for scrutinising treasury management decisions. Quarterly reporting against the Prudential Indicators will be included within Budget

Monitoring and Forecasting reports from April 2023 which will be presented to the Audit and Governance Committee.

Investments for Service Purposes

The Council makes investments to assist local public services, including making loans to and buying shares in local service providers, local small businesses to promote economic growth and the Council's subsidiaries that provide services. In light of the public service objective, the Council is willing to take more risk than with treasury investments, however it still plans for such investments to break even after all costs.

Governance: Decisions on service investments are made by the relevant Business Manager in consultation with the Director of Resources/Deputy Chief Executive and must meet the criteria and limits laid down in the investment strategy. Most loans and shares are capital expenditure and purchases will therefore also be approved as part of the capital programme.

- Further details on service investments are contained within the investment strategy.

Commercial Activities

With central government financial support for local public services declining, the Council has the ability to invest in commercial property if it meets both wider Council objectives and provides a financial return that can be used to support Council services.

The Chartered Institute of Public Finance and Accountancy (CIPFA) define investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

With financial return being the main objective, the Council accepts higher risk on commercial investment than with treasury investments. In the context of the Capital Strategy, the council is using capital to invest in property to provide a positive surplus/financial return. The council may fund the purchase of the property by borrowing money. The rental income paid by the tenant should exceed the cost of repaying the borrowed money each year. The annual surplus then supports the council's budget position, and enables the council to continue to provide services for local people. Property investment is not without risk as property values can fall as well as rise and changing economic conditions could cause tenants to leave with properties remaining vacant. In order that commercial investments remain proportionate to the size of the council, these are subject to an overall maximum investment limit of £15m. However, the Council does not hold any investment properties on its balance sheet and has no plans to invest in these types of assets.

Governance: Property and most other commercial investments would be classed as capital expenditure and purchases will therefore be approved as part of the capital programme.

- Further details on commercial investments and limits on their use are contained within the investment strategy.

Liabilities

In addition to debt of £90m detailed above, the Council is committed to making future payments to cover its pension fund deficit (valued at £95m 2021/22).

Governance: Decisions on incurring new discretionary liabilities are taken by Business Managers in consultation with the Director of Resources/Deputy Chief Executive. The risk of liabilities crystallising and requiring payment is monitored by the corporate finance team. New liabilities are reported to full Council for approval/notification as appropriate.

- Further details on liabilities and guarantees are on pages 85 to 90 of the 2022/23 statement of accounts.

Revenue Budget Implications

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

Prudential Indicator 11: Proportion of financing costs to net revenue stream in £'000

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
<u>General Fund</u>					
MRP Charge	853	594	765	1,164	1,164
Interest Payable	49	341	397	490	490
Less: Investment Income	-932	-1,042	-1,642	-2,013	-1,624
Total GF Financing costs	-30	-107	-480	-359	30
Proportion of net revenue stream	-0.10%	-0.63%	-2.61%	-1.95%	0.21%
<u>Housing Revenue Account</u>					
Interest Payable	3,907	3,775	3,624	3,938	4,054
Depreciation	4,860	5,420	5,994	6,139	6,139
MRR contributions including debt repayments	5,009	4,333	4,851	5,453	5,872
Less: Investment Income	-4	-5	-5	-5	-5
Total HRA Financing costs	13,772	13,523	14,464	15,525	16,060
Proportion of net revenue stream	56.56%	53.97%	54.52%	56.69%	56.30%

- Further details on the revenue implications of capital expenditure are contained within the 2023/24 revenue budget.

Sustainability: Due to the very long-term nature of capital expenditure and financing, the revenue budget implications of expenditure incurred in the next few years will extend for potentially up to 50 years into the future. The Director of Resources/Deputy Chief Executive is satisfied that the proposed capital programme is prudent, affordable and sustainable.

Knowledge and Skills

The Council employs professionally qualified and experienced staff in senior positions with responsibility for making capital expenditure, borrowing and investment decisions. For example, the Director of Resources/Deputy Chief Executive is a qualified accountant with 20 years' experience, the Business Manager – Corporate Property is a qualified Chartered Surveyor and also has 11 years' experience. The Council pays for junior staff to study towards relevant professional qualifications including CIPFA, AAT, ACT (treasury) and actively encourages staff to attend relevant training courses and seminars.

Where Council staff do not have the knowledge and skills required, use is made of external advisers and consultants that are specialists in their field. The Council currently employs Link Group as treasury management advisers. This approach is more cost effective than employing such staff directly, and ensures that the Council has access to knowledge and skills commensurate with its risk appetite.

- The Council's policy on the use of temporary agency workers and consultants is available on the Councils Intranet.

MANAGING THE CAPITAL PROGRAMME

A key role in the monitoring of the capital programme is undertaken by the Capital Monitoring Group, which meets on a quarterly basis. This Group is attended by responsible officers and the relevant accountant and is chaired by the Business Manager for Financial Services. It is a supportive environment in which problem areas are identified and corrective actions agreed and implemented at an early stage to avoid slippage. Each scheme has a nominated project manager who is responsible for the successful completion of the scheme both to time and on budget.

The Council maintains comprehensive and robust procedures for managing and monitoring its Capital Programme. Ongoing monitoring arrangements for the delivery of the approved programme consist of:

- Project Managers are identified for each scheme who are responsible for monitoring progress, spend and income and producing action plans to respond to variations in pace or cost of delivery;
- The Deputy Chief Executive/Director of Resources and S151 Officer co-ordinates high level monthly reporting and detailed quarterly reporting to the Management Senior Leadership Team and Cabinet;
- The quarterly capital monitoring where project managers report on performance outputs on each of their capital projects in progress. Variations and unexpected items are discussed and appropriate action taken; and
- Business Managers are responsible for ensuring that their Project Manager's monitoring reports are quality assured and challenged, and that corporate implications arising from capital monitoring are brought to the attention of the Senior Leadership Team and Cabinet for approval of variations where necessary.

PROCUREMENT

The purchase of capital assets should be conducted in accordance with the Contract Procedure Rules, ensuring value for money, legality and sustainability at all times. Contract standing orders and rules governing the disposal or write off of assets are contained in the Constitution which is consistently reviewed.

VALUE FOR MONEY

The Council recognises that effective procurement lies at the heart of delivering value for money and is essential if the Council is to obtain real improvements to quality and service costs. The Council seeks to achieve value for money by applying rigorous procurement standards in the selection of suppliers and contractors to ensure efficiency, economy and effectiveness is received throughout the life of a contract. The significant resources applied to capital expenditure require the adopted principles of value for money to be at the heart of our capital strategy. Specifically we will seek to strengthen the outcome indicators as part of post project reviews.

ANNUAL MINIMUM REVENUE PROVISION STATEMENT 2023/24

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments where it is deemed appropriate (voluntary revenue provision - VRP).

DLUHC regulations have been issued which require the full Council to approve **an MRP Statement** in advance of each year. A variety of options are provided to Councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2016 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Existing practice** - MRP will follow the existing practice outlined in the former DLUHC regulations (option 1);

This option provides for an approximate 4% reduction in the borrowing need (CFR) each year. However as the Council deems it more prudent MRP will be charged on a 2% straight line basis, net of 'Adjustment A'. This ensures that the debt will be repaid within 50 years.

From 1 April 2016 for all unsupported borrowing (including PFI and finance leases) the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

This option provides for a reduction in the borrowing need over approximately the asset's useful life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place).

Repayments included in annual PFI or finance leases are applied as MRP.

FLEXIBLE USE OF CAPITAL RECEIPTS STRATEGY**Introduction and Background**

Following the Spending Review 2015, the Department of Levelling Up, Housing and Communities (DLUHC) recently issued guidance on the flexible use of capital receipts which came into effect from 1 April 2016 to 31 March 2022. On 10 February 2021 the government announced a 3-year extension from 2022-23 onwards of the existing flexibility for councils to use capital receipts to fund transformation projects that produce long-term savings or reduce the costs of service delivery. The guidance, underpinned by a direction from the Secretary of State for Communities and Local Government, will enable local authorities to capitalise costs incurred on transforming or improving service delivery designed to generate ongoing revenue savings. The guidance also states that each local authority should prepare a Flexible use of Capital Receipts Strategy.

In summary, the key elements of the DLHUC guidance on the flexible use of capital receipts are:

Types of qualifying expenditure

1. Qualifying expenditure is expenditure on any project that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners. Within this definition, it is for individual local authorities to decide whether or not a project qualifies for the flexibility.
2. Set up and implementation costs of any new processes or arrangements can be classified as qualifying expenditure. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure. In addition, one off costs, such as banking savings against temporary increases in costs/pay cannot be classified as qualifying expenditure.

Financing of the qualifying expenditure

- i. Up to 100% of capital receipts from property, plant and equipment disposals received from 2023/24 (excluding Right to Buy receipts) can be used to finance qualifying expenditure. Existing capital receipts in hand prior to 2023/24 are not permitted to be used.
- ii. Local authorities may not borrow to finance qualifying expenditure.
- iii. The guidance will apply for 2023/24.

**NEWARK & SHERWOOD DISTRICT COUNCIL
CAPITAL PROJECT APPRAISAL FORM**

COMMITTEE	
DIRECTORATE	
BUSINESS UNIT	
PROJECT OFFICER	
PROJECT TITLE	

1. DESCRIPTION OF PROJECT

2. DEMONSTRATION OF NEED e.g is the work a statutory obligation? Please include supporting information

3. DETAIL HOW THE PROJECT LINKS TO THE COMMUNITY PLAN

4. DESCRIBE THE IMPACT OF THIS PROJECT ON OTHER BUSINESS UNITS (including officers in other business units involvement in the project)

5. PROJECT DEPENDENCIES

--

6. RESOURCE REQUIREMENTS

6a. LAND/BUILDING CURRENTLY IN COUNCIL OWNERSHIP/LAND ACQUISITION REQUIRED (State whether General Fund or HRA)

--

6b. ESTIMATED CAPITAL COSTS INCLUDING PROFILE OF SPEND OVER FINANCIAL YEARS

**Consideration to be given to inflation and contingency*

2023/24	2024/25	2025/26	2026/27	2027/28
£	£	£	£	£

6c. FUNDING AVAILABLE

2023/24	2024/25	2025/26	2026/27	2027/28	Source
£	£	£	£	£	

6d. REVENUE IMPLICATIONS (this should include costs associated with implementation, ongoing revenue costs and ongoing savings and should be agreed with relevant accountant).

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6e. VAT IMPLICATIONS (do we need to consider option to tax?)

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7. OTHER INFORMATION

7a. HEALTH & SAFETY ISSUES

7b. EQUALITIES IMPLICATIONS

7c. CRIME & DISORDER ISSUES

7d. PLANNING IMPLICATIONS

7e. LISTED BUILDING IMPLICATIONS

7f. PROJECT RISKS/UNCERTAINTIES

7g. HAVE ALTERNATIVE PROCUREMENT STRATEGIES SUCH AS JOINT PROCUREMENTS BEEN EXPLORED?

FORM COMPLETED BY:

DATE:

SIGNATURE OF SPONSORING DIRECTOR:

PRIORITISATION CRITERIA

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
1	<p>Key Priorities</p> <p>Scheme must link to at least one of the Council's priorities and be an objective contained within a Service Plan.</p>	<p>If a scheme does not clearly relate to these areas it will not be considered further.</p>	<p>Each scheme to be marked as to how well it fits with the Community Plan</p>	35%
2	<p>Evidence of Need</p> <p>Service Strategy National Strategy or Guidelines Statutory Obligation</p>	<p>In some cases local demands are in excess of national guidelines and strategies and this tries to acknowledge that the two must be balanced. This will cover Health and Safety related schemes.</p>	<p>The following factors will receive equal weighting :-</p> <ul style="list-style-type: none"> • Statutory Obligation • National Strategy • Validity of consultation in relation to project. e.g. How specific to this project? Who was consulted, was this comprehensive? • Quality of evidence of need for project .e.g. size of sample base, date of evidence, format of evidence 	10%
3	<p>Partnership</p> <p>Eligibility under existing criteria can be demonstrated.</p>	<p>Show that work has been done to ensure that the obtaining of external finance is realistic. The degree to which the partnership will add value to the project.</p>	<p>The proportion of finance which will be met by third party. The likelihood of receiving support.</p> <p>Assessment of the value the partner will add to the project.</p>	15%

	STAGE 1 FACTOR	Comments	STAGE 2 DETAILED PRIORITISATION	STAGE 2 WEIGHTING
4	<p>Outputs and Outcomes</p> <p>These have been clearly identified and can be justified from supporting evidence.</p> <p>Specific comments should be made as to how the scheme represents value for money when compared to other options</p>	<p>This will enable the council to improve the way it reports its work and clearly show what is being achieved. The comments should refer to any performance indicators which the proposal is addressing specifying what the improvement target is.</p>	<p>Assessment then made on what the scheme will achieve.</p>	<p>15%</p> <p>Assessment of all factors or group of factors</p>
5	<p>Financial</p> <p>Capital costs have been based on internal or external professional advice</p> <p>Revenue implications have been properly developed</p>	<p>Capital costs include both works and land purchase and cover all associated costs.</p> <p>Try and avoid “guesstimates” which result in schemes requiring increased finance or having to be reduced to meet finance available.</p>	<p><u>Capital</u> will be based on the quality of work which has been put into estimate. e.g. costed feasibility studies.</p> <p><u>Revenue</u> will be based on whether the effect is positive, neutral or negative on the revenue budget.</p> <p>Positive effect scores 10</p> <p>Neutral effect scores 3</p> <p>Negative effect scores 0</p>	<p>5%</p> <p>10%</p>
6	<p>Risk Assessment</p> <p>Identify the level of risk in a project not being able to proceed. For example planning appeals, listed building consent. Over subscription of partnership funds</p>	<p>Try and ensure that not all schemes selected are high risk with the danger that there will be delays in delivery or no-delivery.</p>	<p>The following will all need to be considered:-</p> <p>Technical Issues</p> <p>Financial Uncertainty</p> <p>Partnership uncertainty</p> <p>Planning Issues</p> <p>Legal issues</p> <p>Timescale</p>	<p>10%</p>



Report to: Audit & Governance Committee Meeting 1 February 2023

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive / Director – Resources - Section 151 Officer

Lead Officer: Andrew Snape, Assistant Business Manager Financial Services on ext 5523

Report Summary	
Report Title	Investment Strategy 2023/24
Purpose of Report	This investment strategy is for 2023/24, meeting the requirements of statutory guidance issued by Department of Levelling Up, Housing and Communities DLUHC (previously MHCLG) Investment Guidance in January 2018.
Recommendations	That Committee approves each of the following key elements and recommends these to Full Council on 9 March 2023 while noting that as the budgets are still being finalised some of the figures within the Strategy may alter: <ul style="list-style-type: none"> • The Investment Strategy 2023/24 Appendix A. • The Investment Prudential Indicators and Limits for 2023/24, contained within Appendix A.
Reason for Recommendation	Not to approve these policies would contravene the requirements of both legislation and good practice. In addition, the Mazars External Auditors may pass comment in their Report to those charged with governance (ISA260).

1.0 Background

1.1 The definition of an investment covers all of the financial assets of the Council as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegations.

1.2 A loan is a written or oral agreement where a local authority temporarily transfers cash to a third party, joint venture, subsidiary or associate who promises to return it according to the terms of the agreement, normally with interest. This definition does not include a loan to another local authority, which is classified as a specified investment.

1.3 Statutory Requirements:

- The DLUHC Investment Guidance is issued by the Secretary of State under section 15(1)(a) of the Local Government Act 2003. Under that section local authorities are required to “have regard” to “such guidance as the Secretary of State may issue”.
- For each financial year, a local authority should prepare at least one Investment Strategy (“the Strategy”). The Strategy should contain the disclosures and reporting requirements specified in this guidance. The Strategy should be approved by the full council.

2.0 Summary of Limits

2.1 The below table summarises the proposed limits within the Investment Strategy 2023/24 for the non-treasury investments, each category has further details within the **Appendix**;

Category of borrower	2021/22 actual			2023/24
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Approved Limit £m
Service Investments: Loans	0.802	0.013	0.789	14.500
Service Investments: Shares	3.655	0.342	3.997	5.000
Commercial Investments: Property	0	0	0	0

Background Papers and Published Documents

DLUHC Investment Guidance 3rd Edition

Investment Strategy Report 2023/24

Introduction

The Council invests its money for three broad purposes:

- because it has surplus cash as a result of its day-to-day activities, for example when income is received in advance of expenditure (known as **treasury management investments**),
- to support local public services by lending to, or buying shares in, other organisations (**service investments**), and
- to earn investment income (known as **commercial investments** where this is the main purpose).

This investment strategy meets the requirements of statutory guidance issued by the government in January 2018, and focuses on the second and third of these categories. This investment strategy has been created in line with the Council's Treasury Management Strategy Statement and the Council's Capital Strategy. The initial strategy may be replaced with a revised strategy at any time during the year in cases where any treasury management issues (including investment issues) need to be brought to the attention of Full Council.

The Council typically receives its income in cash (e.g. from taxes and grants) before it pays for its expenditure in cash (e.g. through payroll and invoices). It also holds reserves for future expenditure and collects local taxes on behalf of other local authorities and central government. These activities, plus the timing of borrowing decisions, lead to a cash surplus which is invested in accordance with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The balance of treasury management investments is expected to fluctuate between £20m and £60m during the 2023/24 financial year.

Treasury Management Investments

Contribution: The contribution that these investments make to the objectives of the Council is to support effective treasury management activities.

Further details: Full details of the Council's policies and its plan for 2023/24 for treasury management investments are covered in a separate document, the treasury management strategy.

Service Investments: Loans

Contribution: The Council can lend money to its subsidiaries, local businesses, local charities and any other bodies to support local public services and stimulate local economic growth. The Council currently does not intend to invest further in service loans.

Security: The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, and ensure that total exposure to

service loans remains proportionate to the size of the Council, upper limits on the outstanding loans to each category of borrower have been set as follows:

Prudential Indicator 12: Loans for service purposes

Category of borrower	2021/22 actual			2022/23	2023/24
	Balance owing £m	Loss allowance £m	Net figure in accounts £m	Forecast Actual £m	Approved Limit £m
Subsidiaries	0.761	0	0.761	2.000	13.000
Local businesses	0.013	0.013	0	0.000	0.500
Local charities	0	0	0	0	0.500
Other Bodies	0.028	0	0.028	0.026	0.500
TOTAL	0.802	0.013	0.789	2.026	14.500

Accounting standards require the Council to set aside loss allowance for loans, reflecting the likelihood of non-payment. The figures for loans in the Council’s statement of accounts will be shown net of this loss allowance. However, the Council makes every reasonable effort to collect the full sum lent and has appropriate credit control arrangements in place to recover overdue repayments.

Prudential Indicator 13: Net income from service investments to net revenue stream

	2021/22 actual	2022/23 forecast	2023/24 budget	2024/25 budget	2025/26 budget
General Fund					
Total GF Service Investment Income	1.014	1.042	1.642	2.013	1.624
Proportion of net revenue stream	3.49%	6.11%	8.92%	10.93%	11.57%
Housing Revenue Account					
Total Service Investment Income	0.004	0.005	0.005	0.005	0.005
Proportion of net revenue stream	0.02%	0.02%	0.02%	0.02%	0.02%

Risk assessment: The Council assesses the risk of loss before entering into service loans by assessing the counterparty’s resilience, the service users’ needs that the loan is designed to help meet, and how these will evolve over time. During the life of the loan any change in original assumptions will be monitored. The Council will use external advisors if felt appropriate by the Director of Resources/Deputy Chief Executive or Business Manager for Financial Services. All loans will be subject to contract agreed by the Legal Business Unit and the credit risk will be determined by reference to the “expected credit loss” model for loans and receivables as set out in International Reporting Standard (IFRS) 9 Financial Instruments. All loans must be approved by full Council and will be

monitored by the Director of Resources/Deputy Chief Executive, or Business Manager for Financial Services.

Service Investments: Shares

Contribution: The Council can invest in the shares of its subsidiaries, its suppliers, and local businesses to support local public services and stimulate local economic growth. Currently the Council does not intend to invest further in any shares with suppliers or local businesses; however the Council has invested £4m of equity funding into Arkwood Development Limited for which it has received 100% of the share capital issued, making it wholly owned by the Council.

Security: One of the risks of investing in shares is that they fall in value meaning that the initial outlay may not be recoverable. In order to limit this risk, upper limits on the sum invested in each category of shares have been set as follows:

Prudential Indicator 14: Shares held for service purposes

Category of company	Original Investment £m	Previous Years Accumulated Gains or (Losses) £m	2021/22 actual			2023/24
			Amounts invested £m	Gains or (losses) £m	Value in accounts £m	Approved Limit £m
Subsidiaries	4.000	-0.345	3.655	0.342	3.997	5.000
Suppliers	0	0	0	0	0	0
Local businesses	0	0	0	0	0	0
TOTAL	4.000	-0.345	3.655	0.342	3.997	5.000

Shares are classed as capital expenditure and purchases will therefore be approved as part of the capital programme.

Risk assessment: The Council would assess the risk of loss before entering into and whilst holding shares by going through an extensive process of risk analysis. The risk analysis will include an assessment of the market that the subsidiary will be active in; including the nature and level of competition, how the market/customer needs will evolve over time, the barriers to entry and exit and any ongoing investment requirements. The Council will use external advisors as thought appropriate by Director of Resources/Deputy Chief Executive, or Business Services Manager for Finance.

Liquidity: Although this type of investment is fundamentally illiquid, in order to limit this the Council, when it sets a limit in this area, will initially set out the maximum periods for which funds may prudently be committed and how the Council will ensure it stays within its stated investment limits.

Non-specified Investments: Shares are the only investment type that the Council has identified that meets the definition of a non-specified investment in the government guidance. The limits above on share investments are therefore also the Council's upper limits on non-specified investments. The

Council has not adopted any procedures for determining further categories of non-specified investment since none are likely to meet the definition.

Commercial Investments: Property

Contribution: The Council can invest in local, regional and UK commercial and residential property with the intention of making a profit that will be spent on local public services. Currently none of the Council properties meet the investment property definition as defined in International Accounting Standard 40: Investment Property.

Security: In accordance with government guidance, the Council considers a property investment to be secure if its accounting valuation is at or higher than its purchase cost including taxes and transaction costs.

Risk assessment: The Council assesses the risk of loss before entering into and whilst holding property investments by ensuring they are prudent and has fully considered the risk implications, with regard to both the individual property and that the cumulative exposure of the council is proportionate and prudent. The Council will ensure that a full due diligence exercise is undertaken and adequate security is in place, before entering into any commercial property investment and the business case will balance the benefits and risks. All investments of this type will be agreed by the Policy and Finance committee.

Liquidity: Compared with other investment types, property is relatively difficult to sell and convert to cash at short notice, and can take a considerable period to sell in certain market conditions. The investment strategy for the Council for 2023-24 is proposed to remain broadly unchanged as it is considered overall to be well structured to limit any undue risks to the security of assets and preservation of liquidity whilst also allowing the council and delegated officers to access suitable investment opportunities.

Loan Commitments and Financial Guarantees

Although not strictly counted as investments, since no money has exchanged hands at the point of entry, loan commitments and financial guarantees carry similar risks to the Council and are included here for completeness. The Council does not provide such commitments and guarantees and this strategy does not include them for 2023/24.

Borrowing in Advance of Need

The Council may, from time to time, borrow in advance of need, where this is expected to provide the best long-term value for money. Since amounts borrowed will be invested until spent, the Council is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Council's overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of £191 million. The maximum period between borrowing and expenditure is expected to be two years.

Capacity, Skills and Culture

Elected members and statutory officers: The Council recognises that those elected Members and statutory officers involved in the investments decision making process must have appropriate capacity, skills and information to enable them to:

- take informed decisions as to whether to enter into a specific investment;
- to assess individual assessments in the context of the strategic objectives and risk profile of the Council; and
- to enable them to understand how new decisions have changed the overall risk exposure of the Council.

The Council establishes project teams from all the professional disciplines from across the Council as and when required. External professional advice is taken where required and will always be sought in consideration of any major commercial property investment decision.

The investment decisions are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Audit and Governance Committee.

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management, which includes investment decisions, receive adequate training in treasury management. This especially applies to members responsible for scrutiny. Members of the Audit and Governance Committee received training from the Council's treasury advisers, Link Group, on 25 January 2023. Further training will be arranged as required.

The training needs of treasury management officers are periodically reviewed.

Commercial deals: The Council will ensure that the Audit and Governance Committee, Policy and Finance Committee and officers negotiating commercial deals are aware of the core principles of the prudential framework and of the regulatory regime within which local authorities operate.

Corporate governance: Any investment decisions will be scrutinised by Senior Leadership Team before final approval by Members.

Investment Indicators

The Council has set the following quantitative indicators to allow elected members and the public to assess the Council's total risk exposure as a result of its investment decisions.

Total risk exposure: The first indicator shows the Council's total exposure to potential investment losses. This includes amounts the Council is contractually committed to lend but have yet to be drawn down and guarantees the Council has issued over third party loans.

Total investment exposure	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Forecast £m
Treasury management investments	62.290	56.323	28.998
Service investments: Loans	0.802	2.026	11.408
Service investments: Shares	3.997	4.000	4.000
Commercial investments: Property	0	0	0
TOTAL INVESTMENTS	67.089	62.349	44.406
Commitments to lend	0	0	0
Guarantees issued on loans	0	0	0
TOTAL EXPOSURE	67.089	62.349	44.406

How investments are funded: Government guidance is that these indicators should include how investments are funded. Since the Council does not normally associate particular assets with particular liabilities, this guidance is difficult to comply with. However, the following investments could be described as being funded by borrowing. The remainder of the Council's investments are funded by usable reserves and income received in advance of expenditure.

Investments funded by borrowing in year	2021/22 Actual £m	2022/23 Forecast £m	2023/24 Forecast £m
Treasury management investments	0	0	0
Service investments: Loans	0.761	2.000	8.647
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
TOTAL FUNDED BY BORROWING	0.761	2.000	8.647

Rate of return received: This indicator shows the investment income received less the associated costs, including the cost of borrowing where appropriate, as a proportion of the sum initially invested. Note that due to the complex local government accounting framework, not all recorded gains and losses affect the revenue account in the year they are incurred.

Investments net rate of return	2021/22 Actual	2022/23 Forecast	2023/24 Forecast
Treasury management investments	1.54%	2.19%	4.00%
Service investments: Loans	5.49%	5.44%	5.54%
Service investments: Shares	0	0	0
Commercial investments: Property	0	0	0
ALL INVESTMENTS	3.51%	3.82%	4.77%



Report to: Audit & Governance Committee Meeting
1 February 2023

Director or Business Manager Lead: Sanjiv Kohli Deputy Chief Executive/Director
Resources, Section 151 Officer
Sue Bearman, Assistant Director Legal & Democratic
Services, Monitoring Officer

Lead Officer: Nick Wilson, Business Manager Financial Services
01636 655317

Report Summary	
Report Title	Review of Significant Issues in the Annual Governance Statement
Purpose of Report	To update members of the Audit & Accounts Committee on the significant governance issues identified in the Annual Governance Statement.
Recommendations	That the Committee notes the results of the review of significant governance issues as identified in the Annual Governance Statement.
Reason for Recommendation	To provide assurance for Members that identified issues are being managed appropriately and that any necessary improvements are implemented. To ensure the Council meets its Community Plan objective to be professional and trustworthy by delivering on promises; providing good quality and demonstrating integrity.

1.0 Background

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with the law and with proper standards; that public money is safeguarded and properly accounted for; and that it is used economically, efficiently and effectively. In accordance with the Accounts and Audit Regulations the Council conducts an annual review of the effectiveness of the system of internal controls and prepares an Annual Governance Statement.
- 1.2 At the meeting of the Audit & Accounts Committee on 23 November 2022, Members approved the Annual Governance Statement for the Council for financial year ended 31 March 2022; part of the Council's Statement of Accounts. To ensure that Members

are able to undertake their assurance role, this report updates the Committee on the status of the governance issues identified within it.

1.3 The governance actions identified were as follows: -

Issue	Action	Responsible Officer	Completion Date
Completion of the outstanding item from the FM Code of Practice	Development of Asset Management Strategy to supplement the Capital Strategy	Business Manager – Corporate Property	July 2022
Whistleblowing and Gifts & Hospitality policies are outside their review timetable	The two policies mentioned were due for review prior to the pandemic. As officer resource was redirected during the pandemic, these were not updated. These will be reviewed and updated during the course of this financial year	Assistant Director – Legal and Democratic Services	March 2023

1.4 The significant governance issues identified were as follows: -

Issue	Action	Responsible Officer	Completion Date
Change in the system of Governance During May 2022 the Council has changed its system of Governance to an Executive (Cabinet) arrangements. During this year there may be occasions whether the system is not	The Member Working Group who were tasked within formulating the detail of how the new governance arrangements should operate will be reconvened and continue to meet as necessary in order to review the effectiveness	Assistant Director Legal and Democratic Services	November 2022

working effectively.	of the new arrangements. A report will be presented to the Audit and Governance Committee to review the new arrangements		
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2.0 Proposal/Options Considered

- 2.1 The Council’s Cabinet adopted a Corporate Asset Management Strategy on 12 July 2022. The Strategy will be reviewed and updated annually to reflect changes in legislation, policy and best practice; ensuring the Council’s land and property assets fully support the Council’s Community Plan.
- 2.2 Reports regarding the Council’s Whistleblowing and Gifts & Hospitality policies are on the agenda for this meeting.
- 2.3 The Member Working Group who were tasked within formulating the detail of how the new governance arrangements are operating has now met twice, and a review of the operation of the Council’s revised governance arrangements is a separate item on the agenda for this meeting also.

3.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

The Annual Governance Statement is published on [page 138](#) of the Council’s Statement of Accounts for 2021/2.

The Audit & Governance Committee report 23 November 2022 Approval of the Statement of Accounts is published – [item 10](#)

The Cabinet report 12 July 2022 Corporate Asset Management Strategy is published – [item 15](#)



Report to: Audit & Governance Committee Meeting
1 February 2023

Director or Business Manager Lead: Sue Bearman, Assistant Director Legal & Democratic Services, Monitoring Officer
01636 655935, Sue.Bearman@nsdc.info

Lead Officer: Nigel Hill, Business Manager Elections & Democratic Services
01636 655243

Report Summary	
Report Title	Six Month Review of the Council’s revised Governance Arrangements
Purpose of Report	To consider the findings from the Governance Review Working Party’s six-month review of the new executive governance arrangements
Recommendations	<p>That:</p> <ol style="list-style-type: none"> 1. A further review of the operation of the Council’s governance arrangements should be undertaken at an appropriate point by the new Council 2. For the further review of the operation of the Council’s governance arrangements to include a request for specific feedback from the Tenant representatives on the Tenant Engagement Board 3. To establish a Working Group of Members to have oversight of the Member induction process following the May 2023 District Council elections; for each political group leader to be asked to nominate Members to participate in the Working Group 4. To note that a bi-annual ‘What’s on’ presentation for all Members is included the Transformation Business Unit’s annual work programme 5. To recommend the revised Urgency Procedure attached at Appendix 1 to Full Council for approval 6. To note the amendments/corrections to the Constitution since May 2022 and that these will also be reported to Full Council for noting (attached at Appendix 2)

	7. For an annual review of the Council’s Constitution to be included in the Committee’s Work Plan
Reason for Recommendation	To ensure the Council meets its Community Plan objectives to be ambitious and forward thinking – always looking to improve and innovate, and welcoming and responsive – open to feedback and challenge.

1.0 Background

- 1.1 On 17 May 2022 the Council moved from a committee system of governance to an executive cabinet system. Given the significant change, the Full Council agreed for the Member Governance Review Working Party (GRWP) to undertake a review of the new governance arrangements six months after implementation. The GRWP’s proposed plan for this consultation was endorsed by the Audit & Governance Committee on 23 November 2022.
- 1.2 Between October and December 2022 various activities and meetings took place with officers and members to review how the Council’s governance was working and make recommendations for improvement. This report outlines the findings of this consultation and the recommendations proposed by the GRWP as a result.
- 1.3 The GRWP also reviewed the Urgency Procedure set out in the Council’s Constitution, and considered some amendments aimed at clarification rather than substantive amendment.
- 1.4 A small number of omissions have been identified and corrections made to the Council’s Constitution since May 2022. A list of amendments in relation to Executive Functions agreed by the Leader, and minor and consequential changes made to the Constitution under the Monitoring Officer’s delegation are summarised at **Appendix 2** to this report. For transparency these will also be reported to Full Council in due course.

2.0 Consultation Findings

- 2.1 Officer consultation was undertaken using three mechanisms:
- A short survey was sent to every officer who had been involved with the new governance arrangements asking for their reflections
 - There was a facilitated discussion with Business Managers
 - A workshop was undertaken with the two teams most involved with the new arrangements, Transformation and Democratic Services
- 2.2 Member consultation was undertaken using two mechanisms:
- The GRWP met to provide its feedback on the effectiveness of the new arrangements
 - There were two sessions hosted by the Chief Executive, open to all Members, to capture their experience of the new governance arrangements

2.3 Feedback Themes

(i) Cabinet / Portfolio Holder Decision Making

As Members will be aware, Portfolio Holders can take individual executive decisions, but the view was that for the initial 12 months at least, key decisions were taken by the collective Cabinet. Although some of the Cabinet Meeting agendas have had a number of significant decisions to take, the general consensus is that these meetings are well managed with the business being conducted in an efficient, but transparent manner.

Some non-key decision items are still currently tending to be taken to the Cabinet for a collective decision which may delay decisions and does result in larger Cabinet agendas, however, it is anticipated that there will be greater numbers of Portfolio Holder decisions being taken as Members and Officers develop a greater confidence and knowledge of the new arrangements.

One finding from the review was that Members did find it difficult to access the full record of Portfolio Holder decisions on the website or through Mod.gov. In addition, some Members felt that they were not alerted fully as to an executive decision which impacted on their Ward.

(ii) Policy & Performance Improvement Committee

The view was expressed that some of the agendas for the Committee were too lengthy but this is something that is being addressed by the lead officers in conjunction with the Chairman and Vice-Chairman. It was also felt that to date the Committee had not undertaken too much scrutiny with the main focus being on policy development.

In respect of Cabinet Forward Plan items it was clarified that the Committee has full visibility of this document and can identify any item that it wishes to consider ahead of a decision being taken by the Cabinet where practicable.

In relation to Working Groups set up by the Committee, these were considered to have been successful to date, although resource intensive for the services supporting them (such as ICT and Public Protection) which is something that would need to be kept under review. The Working Groups were required to focus on the defined remit for their particular topic and where practical not stray beyond this remit without agreement of the parent committee.

Member engagement and participation in the Working groups had been positive with a good selection of members putting themselves forward for the groups established to date, however attendance at the actual meetings had been mixed with some meetings only being attended by 2 – 3 Members.

It was suggested during the review that Members may require further training on understanding the new arrangements, for example joining a working group and how to submit a topic request form.

It was also mentioned that in the full Committee debate was often led by the Chairman and Vice-Chairman with sometimes limited input from the other Members.

(iii) Member Engagement

The review found that not all Members felt engaged with the new governance arrangements. For some this was because they did not feel included in updates or informed about the work of the Council (decisions made, key projects coming up etc.). It was also suggested that Portfolio Holders could better understand their role in updating their fellow Members and being available for questions about issues within their remit.

3.0 Proposal/Options Considered

- 3.1 Overall the feedback on the new governance arrangements from both Members and Officers was positive and that the arrangements were working well. However, it was considered that it may be too early to make a fully informed view at this point as the new practices were still to be embedded. For example, to date there had been no ‘call-ins’ of decisions and bodies such as the new Tenant Engagement Board had only met a couple of times, and it was important to get a view from the tenant representatives as to how they thought the new governance arrangements were working.
- 3.2 It is therefore proposed that a further review of the operation of the Council’s governance arrangements should be undertaken at an appropriate point by the new Council; which should include engagement with the Tenant Engagement Board.
- 3.3 A further issue that came up during the review of governance was the importance of the new Member induction process following the elections on 4 May 2023. This was seen as an opportunity to drive engagement and inform Members as to the Council’s decision-making processes. Democratic Services will work with service areas to create engaging induction content across all areas, for example Transformation would lead on the induction for the Policy & Performance Improvement Committee members and do a bespoke piece for Members on understanding and challenging performance. It is suggested that the proposed Member induction programme be reviewed by a working group of the Audit & Governance Committee to gain Member insight. This work should be completed in time for details of the induction programme to be shared in the candidate packs which are issued prior to the elections.
- 3.4 The GRWP concluded that sufficient information about decision-making is made available for Members; the statutory Forward Plan, executive work programme and all delegated decisions are sent by email to all Members. The GRWP was informed that bi-annual ‘What’s On’ presentations are planned for all Members, and noted that Officer training and guidance advises Officers about the importance of keeping local Members informed on ward specific issues.
- 3.5 The GRWP concluded that the issues raised in relation to the Policy and Performance Improvement Committee and its working groups are for the Chairman and working group chairmen to manage, and noted that training in relation to the remit of this

Committee and challenging performance is planned as part of the Member induction programme.

4.0 Urgency Procedure

4.1 The Constitution that was approved by Full Council in May 2022 included a procedure for taking urgent decisions, as did the previous Constitution under the Committee System. Matters requiring prompt decision have arisen since May 2022, and Officers have generally worked to make sure these matters reach Members for decision. The Head of Paid Service urgency delegation has therefore been used sparingly.

4.2 The Urgency Procedure in the Constitution has however been reviewed as Officers considered it could be clearer. A tracked changes version of the Procedure, recommended by the GRWP for consideration by this Committee, is attached to this report at **Appendix 1**. In summary:

- i. To avoid the Procedure being over-used, it is suggested that a preliminary paragraph about appropriate reasons for its use, is added (paragraph 1.1).
- ii. The Procedure could be clarified to include reference to other options that already exist for taking urgent decisions, for example adding a late item to a meeting agenda, calling an extra meeting, and the Leader taking a delegated decision in relation to a matter that would normally go to Cabinet (paragraphs 1.2-1.4).
- iii. For added scrutiny of the use of the Head of Paid service delegation, it is suggested that the consultation list includes the leader of the Council's largest opposition group (paragraph 1.5).

5.0 Amendments/Corrections to the Council's Constitution

5.1 No material changes to the operation of the Council's governance arrangements are proposed by the GRWP, however it was noted that some sections of the Constitution were not updated/reviewed prior to May 2022 and it is proposed that these are added to the Audit & Governance Committee work plan for future consideration by way of an annual review of the Constitution.

5.2 By way of example, the Employment Procedure Rules would benefit from review and the Local Code on Corporate Governance requires some updating. There is also some potential duplication between the Terms of Reference for General Purposes Committee and Audit & Governance Committee.

6.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Audit & Governance Committee Report published [23 November 2022](#)

Full Council Report 17 May 2022 [Item 8](#) published

PART D PROCEDURE RULES

SECTION 6: PROCEDURE FOR TAKING URGENT DECISIONS

1. Background

1.1 Sometimes events will occur which require decisions to be taken urgently. The Council needs to be able to respond quickly where failure to do so would not be in the public interest, for example a service would not be provided, the public would be put at risk of harm, the Council would suffer financial loss, or a government deadline would not be met. Poor planning would not be a suitable justification for taking a decision urgently.

1.2 Where the agenda for the relevant meeting has been published, an urgent item may be added to the agenda if the Chairman of the meeting is in agreement. Every effort must be made to circulate the urgent report to Councillors at least 24 hours before the meeting and make it available for public inspection.

1.3 The issue may be of such significance that it may be more appropriate to call an additional meeting. The procedure for calling additional meetings is set out in the relevant Council, Cabinet or Committee Procedure Rules.

4.1.4 Note - in accordance with the Cabinet Scheme of Delegation in Part C of this Constitution – Responsibility for Functions, the Leader is responsible overall for the discharge of Cabinet functions and may discharge any such function themselves regardless of whether the given function has been delegated to Cabinet.

2. Procedure for taking Urgent Decisions

2.1 In the event that any matters arise in circumstances rendering it impossible for the Leader, Cabinet or Council to give instructions within sufficient time in the normal conduct of their business for such matters to be properly dealt with, the Head of Paid Service (or in their absence a nominated deputy) shall have delegated authority to take or authorise all necessary steps to deal with the matters sufficiently to protect the interests of the Council and the public provided that they comply with the applicable legislative requirements for determining decisions, including identifying the decision as being urgent and as such not subject to 'Call-In', and shall, before taking action, consult:

- i. the Monitoring Officer and the Section 151 Officer (or their deputies); and
- ii. in respect of Executive functions, either the Leader (or in their absence the Deputy Leader or in their absence another Cabinet Member); or
- iii. in respect of non-Executive functions, the Chairman of the Council (or in their absence the Vice-Chairman of the Council or their absence the Chairman of the relevant Committee).

iii.iv. The leader of the Council's largest opposition group.

2.2 Decisions taken by the Head of Paid Service or their nominated deputy as a matter of urgency must be reported to the next available meeting of the Council together with the reasons for urgency.

3. Additional Rules for taking Key Decisions with less than 28 days notice

General Exception

- 3.2.1 Subject to the rules ~~below~~ regarding Special Urgency and Major Emergencies below, if a matter which is likely to be a Key Decision has not been advertised for a minimum of **28 clear days** on the Council's website, then the decision may still be taken if:
- a. The decision must be taken by such a date that it is impracticable to defer the decision until it has been possible for **28 clear days' notice** to be given;
 - b. The Monitoring Officer has informed the Chairman of the PPI Committee (in its capacity as the overview and scrutiny committee) in advance in writing that the taking of the decision cannot be reasonably deferred and should not be subject to 'Call-In' and made copies of that notice available to the public at the offices of the Council; and on the Council's website; and
 - c. At least **5 clear days** have elapsed since the Monitoring Officer complied with Rules a. and b. above

Special Urgency

- 3.24 If the rule below regarding Major Emergency does not apply and, by virtue of the date by which a decision must be taken the General Exception rule above cannot be followed and the **5 clear days'** notice of the decision cannot be given then the decision can only be taken if the decision taker (if an individual) or the Chairman of the body making the decision, obtains the agreement of the Leader and the Chairman of the PPI Committee (in its capacity as the overview and scrutiny committee) that the taking of the decision cannot be reasonably deferred and should not be subject to 'Call-In'. Notice in writing of the application to the Chairman of the PPI Committee must be published on the Council's website and copies made available to the public at the offices of the Council. If there is no Chairman of the PPI Committee or the Chairman is unable to act, then the agreement of the Chairman of the Council, or in their absence the Vice Chairman of the Council will suffice.

Major Emergencies

- 4.1 In a major emergency listed below, the Leader or Deputy Leader or in their absence the relevant Cabinet Member or, if appropriate, the Chief Executive or a Director may take any immediate urgent Key Decision if required without consultation. Such decisions will not be subject to 'Call-in'. Note - separate provision for the Chief Executive's delegation in relation to civil emergency/disaster is made in Part C Section 5 – Officer Scheme of Delegation.

4.2 For the purposes of this rule, a major emergency is any event or circumstance (happening with or without warning) that causes or threatens death or injury, disruption to the community, or damage to property or to the environment on such a scale that the effects cannot be dealt with by the emergency services, local authorities and other organisations as part of their normal, day-to-day activities.

5. Quarterly Reports on Special and Major Emergency Urgent Decisions

5.1 The Leader will submit quarterly reports to the Council on the Key Decisions taken under the Special Urgency and/or Major Emergencies rules in the preceding three months. The report will include the number of decisions so taken and a summary of the matters in respect of which those decisions were taken and the reasons for urgency.

6. Urgent Decisions Outside the Budget or Policy Framework

6.1 Separate provision for these decisions is made in Part E Section 3 – Budget and Policy Framework Procedure Rules.

Review of the Council's Governance Arrangements – Appendix 2

Date	Brief Details of Amendment	Part/Page/Para	Authorisation Monitoring Officer (MO) <i>C5, para 4.2 (i)</i> Leader <i>C30 para 1.2.2, C36 5.1.2</i>
08.06.22	Remove remaining highlighted paragraph numbers and renumber. <i>Correction</i>	Part C – Responsibility for Functions. Page C59 – 2.6.1 vii Page C60 – 3.1 and 4.1 Page C66 – 15.1	Monitoring Officer
09.06.22	Insert the wording <u>Building Control</u> under the Director – Planning & Growth’s Main Areas of Responsibility. <i>This wording was accidentally omitted when the new constitution was drafted.</i>	Part C – Responsibility for Functions. Page C66	Monitoring Officer
28.06.22	Insert the wording <u>Building Control</u> directly beneath Planning Enforcement under the remit of the Portfolio Holder – Economic Development & Visitors.	Part C – Responsibility for Functions. Page C33	Leader
	Insert the wording <u>Street Naming & Numbering</u> under the Director – Planning & Growth’s Main Areas of Responsibility. <i>This wording was accidentally omitted when the new constitution was drafted</i>	Part C – Responsibility for Functions. Page C66	Monitoring Officer
	Amend the order of business (part) to ensure the following order is reflected on each committee’s agenda: Apologies / Declarations of Interest / Notification of Recording & Streaming / Approve Minutes <i>Correction for consistency</i>	Part D – Section 1 – Council Procedure Rules Page D4 – 1.2.3	Monitoring Officer
	Amend the order of business (part) to ensure the following order is reflected on each committee’s agenda: Apologies / Declarations of Interest / Notification of Recording & Streaming / Approve Minutes <i>Correction for consistency</i>	Part D – Section 4 – Committee Procedure Rules Page D29 – 3.1	Monitoring Officer



Report to: Audit & Governance Committee Meeting: 1 February 2023

Director or Business Manager Lead: Sue Bearman – Assistant Director Law and Information Governance, Monitoring Officer

Lead Officer: Caroline O’Hare – Senior Legal Officer
Caroline.OHare@nsdc.info 01636 655238

Report Summary	
Report Title	Regulation of Investigatory Powers Act 2000 (RIPA) Annual Report
Purpose of Report	To report to the Committee: <ul style="list-style-type: none"> i. Activity by the Council under RIPA from 2021 to date ii. Relevant minor amendments to the RIPA policy iii. An update on mandatory training for officers.
Recommendations	That the report be noted.
Reason for Recommendation	For the committee to be aware of the use of RIPA activities as the RIPA policy requires annual reporting to this Committee.

1.0 Background

- 1.1 The Regulation of Investigatory Powers Act 2000(RIPA) gives the Council certain powers to undertake covert surveillance and monitoring activities in relation to some investigations undertaken by the Council. Since 2017 the Investigatory Powers Commissioner’s Office (IPCO) has been responsible for the oversight of the use of RIPA.
- 1.2 There is a strict authorisation process set out in the legislation requiring that all applications are considered by designated members of the Council’s Senior Leadership Team before final authorisation is sought in the Magistrates Court. The Council is required to submit an annual statistical return to the IPCO on the number of authorisations made and the Council is also subject to periodic inspections by the IPCO.
- 1.3 The Council is also able to obtain certain communications data (i.e. data about electronic communications - the who when and where of a communication - not the content itself) through the National Anti-Fraud Network (NAFN) who are an expert provider accredited by the IPCO and the Home Office. NAFN submits an annual statistical return to the IPCO of the number of submissions made by the Council requesting information from NAFN.

1.5 A programme of monitoring and review is set out in the Council's RIPA policy and guidance. This includes annual updates to this Committee. The last committee report was presented to the former Policy and Finance committee on 25 November 2021. This report covers the period from November 2021 to 1 January 2023.

1.6 Annual Activity November 2021 to 1 January 2023

There have been no new authorisations sought or refused by the Magistrates court during this period. The Council's use of authorised RIPA surveillance has always been and remains extremely low. This is in line with the majority of other authorities; particularly those who do not have services such as Trading Standards or Consumer Protection teams.

1.7 The Council will submit the annual statistical return to IPCO for the 2022 period by 31 January 2023 when it is due. There have been Nil returns to IPCO since 2016.

2.0 Minor amendments to the Council's RIPA Policy

2.1 The Council is required to have a policy governing the law and procedure for undertaking surveillance and how that integrates with RIPA. The policy should be published on the website and also on the intranet for reference by staff undertaking any investigations involving surveillance. Detailed procedural guidance is also published on the staff intranet.

2.2 Minor amendments have been made to the policy and procedure to reflect changes in names/job titles of relevant officers. No substantive amendments are required at this time.

3.0 Training

3.1 Ongoing advice and training is provided to investigating officers on a case by case basis throughout the year. More formal training is planned to be completed by end March 2023 to investigating officers in relevant teams, together with refresher training for officers authorised to approve applications for submission to the Magistrates Court.

Implications

In writing this report and in putting forward recommendations' officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

None

Police & Finance Committee 25 November 2021 ([published](#))



Report to: Audit & Governance Committee Meeting
1 February 2023

Director or Business Manager Lead: Sue Bearman, Assistant Director Legal & Democratic Services, Monitoring Officer

Lead Officer: 01636 655935, Sue.Bearman@nsdc.info

Report Summary	
Report Title	Review of the Council’s Whistleblowing Policy
Purpose of Report	For the Committee to consider an updated version of the Council’s Whistleblowing Policy and proposals to raise awareness of the Policy.
Recommendations	That Committee: <ol style="list-style-type: none"> 1. Adopts the revised Whistleblowing Policy attached as Appendix 1 to this report subject to consultation with the Council’s Joint Consultative Committee; 2. Approves proposals for raising awareness of the Policy; and 3. Includes an annual review of the Whistleblowing Policy and concerns raised under it in the Committee’s work plan
Reason for Recommendation	To ensure the Council meets its Community Plan objectives to be professional and trustworthy by demonstrating integrity, and being welcoming and responsive by being open to feedback and challenge and swift to act.

1.0 Background

1.1 The Council has an adopted Whistleblowing Policy which requires some updating due to changes in the Council’s structure, and external contacts. A review of the Policy has also been identified as an audit requirement for this financial year.

2.0 Proposal/Options Considered

2.1 The Policy has been reviewed and updated by comparison against other local authority policies and the guidance provided by Government. The revised Policy is attached as **Appendix 1** to this report. For completeness, the current Policy, with tracked changes to show amendments, is attached at **Appendix 2**.

2.2 The majority of the amendments are not material – the order of the content has been amended with the aim of making the Policy more user friendly, and some words have been added to clarify some of the provisions, but not alter them. Contact details have

been updated where necessary and are now grouped together at the end of the document for easy reference.

- 2.3 Material amendments are summarised below: -
 - 2.3.1 The Responsible Officer is the Council's Monitoring Officer
 - 2.3.2 The Monitoring Officer will maintain a corporate register of concerns raised and the results of any investigations
 - 2.3.3 The Audit & Governance Committee will keep the Policy under review and will receive an annual report on its operation
- 2.4 If Audit & Governance is satisfied in principle with the revised Policy, it will be referred to the Council's Joint Consultative Committee (the Council has established the Joint Consultative Committee to provide a regular method of consultation and where appropriate negotiation between the Council and its employees) for review. Any substantive comments or concerns will be reported back to Audit & Governance Committee.
- 2.5 If few or no Whistleblowing complaints are received this could be due to lack of awareness. It is therefore proposed for the Monitoring Officer to work with Corporate Communications to promote the existence of the Policy through the Council's staff newsletter and other appropriate platforms. A summary of actions taken will be reported back to Committee in the first annual report.
- 2.6 To ensure appropriate oversight going forward, it is proposed that an annual review of the Whistleblowing Policy and concerns received, is added to the Committee's work plan.
- 2.7 Once approved, the updated Policy will be shared with the Council's wholly owned companies, Active 4 Today Limited and Arkwood Developments Limited, as a template.

3.0 Implications

In writing this report and in putting forward recommendations officers have considered the following implications; Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

(Department for Business, Energy & Industrial Strategy Guidance and Code of Practice is [published](#))

NEWARK & SHERWOOD DISTRICT COUNCIL

WHISTLEBLOWING POLICY

Contents:

1	Introduction
2	Aims of the Policy
3	When does this Policy apply?
4	Who can raise a concern under this Policy?
5	The Council's assurances to you
6	Confidentiality
7	How to raise a concern
8	Information needed to raise a concern
9	How the matter will be handled
10	If you are dissatisfied
11	The Responsible Officer
12	Policy review and overview
13	Contact details

1. Introduction

- 1.1. The aim of this Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns in the appropriate way.
- 1.2. 'Whistleblowing' is viewed by the Council as a positive act that can make a valuable contribution to the Council's efficiency and long-term success. It is not disloyal to colleagues or the Council to speak up. The Council is committed to achieving the highest possible standards of service and the highest possible ethical standards in public life and in all of its practices.
- 1.3. A 'Whistleblower' is generally a person who works in or for an organisation and raises an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation. In doing so they are acting in the wider public interest, usually because it threatens others or impacts on public funds.
- 1.4. This Policy sets out the procedure to follow if you wish to raise a concern. There is legal protection for employees who raise serious concerns in the right way (under the Public Interest Disclosure Act). This Policy is designed to ensure that you can raise your

concerns about wrongdoing or malpractice within the Council without fear of victimisation, subsequent discrimination, disadvantage or dismissal.

2. Aims of the Policy

2.1. This policy aims to:

- Encourage you to feel confident in raising serious concerns and to question and to act upon concerns about Council practice
- Provide avenues for you to raise those concerns and receive feedback on any action taken
- Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied
- Reassure you that you will be protected from any possible reprisals and victimisation if you have a reasonable belief that you have made the disclosure in the public interest

3. When does this Policy apply?

3.1. Any serious concerns that you may have about any aspect of service provision or the conduct of others can be reported under this Policy. This may be something that:

- makes you feel uncomfortable
- is against any of the Council's existing Codes and policies
- is contrary to established standards of practice
- amounts to improper conduct
- This Whistleblowing Procedure is primarily for concerns where the interests of others or of the organisation itself are at risk and you have a reasonable belief that raising the concern is in the public interest. This Policy does not apply if the concern relates to your personal position as an employee, or in relation to another individual.

3.2. One of the following policies or procedures may be appropriate depending on the circumstances:

- Anti-Fraud and Corruption Strategy
- Children and Adults Safeguarding Policy
- The Council's complaints procedures for concerns about services provided to individuals
- Employee Disciplinary and Dismissal Procedure
- Employee Grievance Procedure
- Employee Dignity at Work Policy
- Procedure for dealing with complaints regarding the conduct of District Councillors

- 3.3. If you are not sure which policy or procedure applies you can ask your line manager or the Council's Monitoring Officer.
- 3.4. This policy is intended to cover major concerns that may fall outside the scope of other procedures. These include:
- The unauthorised use of public funds.
 - Possible fraud or corruption.
 - Sexual or physical abuse of both employees and clients.
 - Health and Safety risks (including risks to the public as well as other employees).
 - Conduct which is an offence or breach of law.
 - Failure to comply with a legal or regulatory duty or obligation.
 - Disclosures related to miscarriages of justice (ie where the Council has acted improperly or unfairly).
 - Damage to the environment.
 - Other unethical conduct including improper use of authority
 - Concealment of any of the above.
- N.B. This is not an exhaustive list

4. Who can raise a concern under this Policy?

- All Members of the Council
- All employees of the Council including employees of Council-owned companies*
- Agency workers, consultants and other individuals working for the Council
- Suppliers and those providing services under a contract with the Council, including their employees
- People working in partnership with the Council, and its employees and Members (e.g. volunteers, trustees etc)

* Concerns regarding companies owned by the Council, for example Active 4 Today Ltd and Arkwood Developments Ltd, are not covered by this Policy. If an employee has concerns regarding a Council-owned company these should be raised with the company. Any concerns by employees of the Council or its Council-owned companies regarding the Council should be raised through this Policy.

If you are not sure which policy or procedure applies you can ask your line manager or the Council's Monitoring Officer.

5. The Council's Assurances to You

5.1. Everyone who raises a Whistleblowing Concern

The Council recognises that the decision to report a concern can be a difficult one to make. All concerns reported using this Policy will be given careful consideration, and the Council will do all it can to help you throughout any investigation.

5.2. Employees

You will not be at risk of losing your job or suffering any form of retribution or detriment as a result of raising your concerns, provided that you reasonably believe that you are acting in good faith and making the disclosure in the public interest, and follow the reporting procedure explained in this Policy. It does not matter if you are mistaken, so long as you reasonably believe there is a problem.

5.3. The Council will not tolerate any harassment or victimisation of a whistleblower (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith and will treat this as a serious disciplinary offence which will be dealt with under the disciplinary rules and procedure.

5.4. Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect you.

5.5. Rarely, a case might arise where it is the employee that has participated in the action causing concern. In such a case it is in the employee's interest to come into the open as soon as possible. The Council cannot promise not to act against such an employee, but the fact that they came forward may be taken into account.

5.6. If you make an allegation in good faith and reasonably believing it to be true, but it is not confirmed by the investigation, the Council will recognise your concern. If however, you make an allegation frivolously, maliciously or for personal gain, appropriate action that could include disciplinary action, may be taken.

6. Confidentiality

6.1. The Council will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, it is recognised that you may nonetheless want to raise a concern in confidence under this policy. If you ask that your identity is protected by keeping your confidence, it will not be disclosed without your consent. If the situation arises where the Council is not able to resolve the concern without revealing your identity (for instance because your evidence is needed for disciplinary proceedings, in court, or for child protection or adult safeguarding), it will be discussed with you to determine whether and how the matter can be progressed.

6.2. Remember that if you do not tell the Council who you are, it will be much more difficult to look into the matter, or to protect your position, or to give you feedback. Accordingly, while anonymous reports will be considered, this policy is not ideally suited to concerns raised anonymously - concerns raised anonymously are much less powerful, but may be considered at the discretion of the Council. This discretion will be based on the:

- seriousness of the issues raised
- credibility of the concern

- likelihood of confirming the allegation from an attributable source
- evidence base

7. How to Raise a Concern

7.1. You may wish to consider discussing your concern with a colleague first, and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

7.2. **STEP 1**

If you have a concern about malpractice and you have a reasonable belief that disclosing the information is in the public interest, it is hoped that you will be able to raise it first with your immediate manager or supervisor. This will obviously depend upon the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that a member of management is involved you should approach the officers identified in Step 2 below. We advise that you make it clear that you are raising your concerns under the Council's whistleblowing arrangements – this will help managers respond in line with this policy. You may, at any stage, feel the necessity to take independent advice (See Section 5.4).

7.3. **STEP 2**

If you feel unable to raise the matter with your manager, for whatever reason, you can raise the matter with:

- Your Departmental Director
- The Monitoring Officer
- The Chief Financial Officer (Section 151 Officer)
- The Chief Executive

7.4. If, your concern is about the Chief Executive of the Council it can be raised with the Monitoring Officer or the Chief Financial Officer, or with the Council's External Auditors, Mazars LLP.

All contact details are provided on the final page of this Policy.

7.5. **INDEPENDENT ADVICE**

If you are unsure whether in principle to use this procedure or you want independent advice at any stage, you may contact:

- The Council's Monitoring Officer
- your Union (if you are a member)
- The Council's External Auditors
Mazars LLP

- The independent charity [Protect](#). They offer a free and confidential helpline.

All contact details are provided on the final page of this Policy.

7.6. EXTERNAL CONTACTS

While it is hoped that this policy gives you the reassurance you need to raise such matters internally, it is recognised that there may be circumstances where you can properly report matters to outside bodies, such as the Prescribed Regulators (external bodies able to take and consider your concerns), some of which are outlined below, or the Police. It is strongly recommended that you seek independent advice (see 5.4 above) on the circumstances in which you may be able to contact an outside body safely, before proceeding.

By way of example, relevant Prescribed Regulators to the Council's functions are:

- | | |
|------------------------------------|---|
| 1. Health and Safety risks | Health and Safety Executive. |
| 2. Environmental issues | The Environment Agency. |
| 3. Financial Services | Financial Services Authority (and, pending its full operation, its predecessor bodies) and HM Treasury. |
| 4. Fraud and Fiscal Irregularities | Serious Fraud Office, Inland Revenue and Customs and Excise. |
| 5. Public Sector Finance | National Audit Office and Audit Commission. |
| 6. Competition & Consumer Law | Office of Fair Trading |
| 7. Others | Certification Officer (Trade Unions), Charity Commission, Information Commissioner's Office |

Contact details are provided on the final page of this Policy.

8. Information needed to raise a concern

8.1. When raising a concern under the procedure you should try to provide the following information:

- The nature of your concern and why you believe it to be true
- The background and history behind the concern;
- Whether you have already raised a concern with anyone and the response; and
- Any relevant dates when actions relating to the concern took place.

8.2. This information should demonstrate that there are reasonable grounds for the concern to be acted upon. It is important that you do not attempt to investigate the concerns yourself.

8.3. Although you are not expected to prove beyond doubt the truth of your suspicion, you

will need to demonstrate to the person contacted that you have a genuine concern relating to suspected wrongdoing or malpractice within the Council and there are reasonable grounds for your concern.

9. How the Matter Will Be Handled

- 9.1. Any concerns raised will always receive a response. Once you have notified the Council of your concern, in order to protect individuals and those accused of possible malpractice, initial enquiries will be made in order to identify whether an investigation is appropriate and, if it is, what form it should take.
- 9.2. This may involve an internal enquiry or a more formal investigation by management or Internal Audit, following which, matters may be referred to an external agency (such as External Audit or the Police).
- 9.3. Any investigation may need to be carried out under terms of strict confidentiality, i.e. by not informing the subject of the complaint until (or if) it becomes necessary to do so. In certain cases however, such as allegations of ill treatment of others, suspension from work may have to be considered immediately. Protection of others is paramount in all cases.
- 9.4. The overriding principle is the public interest.
- 9.5. When you raise the concern you may be asked how you think the matter might best be resolved. If you have any personal interest in the matter, it is vital that this is mentioned at the outset. If your concern more properly falls within another Council Policy, such as the Grievance Procedure or Dignity at Work Policy, you will be notified.
- 9.6. Before a final decision is taken on how to proceed, or as part of the investigation, you may be asked to meet with those investigating the concern.
- 9.7. If a meeting is arranged, employees may wish to be accompanied by a trade union representative or work place colleague. The person who accompanies you should not be involved or have a direct interest in the area of work to which the concern relates. The meeting can be conducted over the telephone or online rather than in person. An in person meeting can be arranged away from your workplace if you wish.
- 9.8. You will be notified who is handling the matter, how you can contact them, and whether your further assistance may be needed.
- 9.9. Within ten working days of a concern being raised, the Responsible Officer will write to you:
 - acknowledging that the concern has been received.
 - indicating how it is proposed to deal with the matter.
 - giving an estimate of how long it will take to complete investigations.

- advised of the investigating officer (where appropriate).
 - telling you whether any initial enquiries have been made.
 - telling you whether further investigation will be made, and if not, why not.
 - supplying you with information on how the Council will support you if you think this is necessary, whilst the matter is under consideration.
 - advise you of how we will inform you of progress.
- 9.10. The amount of contact between you and the officers considering the matter will depend on both the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.
- 9.11. You will be notified when the matter is concluded and, if appropriate, the outcome of the investigation, maintaining security and confidentiality for all parties as far as possible.
- 9.12. Throughout any investigation, employees will still be expected to continue your duties/role as normal unless deemed inappropriate.
- 9.13. While the purpose of this policy is to investigate possible malpractice and take appropriate steps to deal with it, you will be given as much feedback as appropriate.
- 9.14. Rarely, a case might arise where it is the employee that has participated (or even continues to participate) in the action causing concern. In such a case it is in the employee's interest to come into the open as soon as possible. The Policy cannot undertake not to act against such an employee, but by virtue of coming forward there is a mitigating factor to be taken into account.
- 9.15.** Steps will be taken to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, arrangements will be made for you to receive advice about the procedure. The Council will take all reasonable steps to ensure that you do not suffer a detriment by a colleague because you have made a protected disclosure and if you believe that you have suffered a detriment for having raised a concern you should report this.

10. If You Are Dissatisfied

- 10.1. This Policy is intended to provide you with an avenue within the Council to raise concerns. While it cannot be guaranteed that all matters will be addressed in the way that you might wish, it will always be the Council's intention to handle the matter fairly and properly. By using this policy, you will help achieve this.
- 10.2. However if you feel that the Council has not responded correctly at any stage, remember you can go to the other levels and bodies detailed in this Policy:

- The Council's external auditors Mazars LLP
- The Police
- The Prescribed Bodies.

10.3. Contact details are provided on the final page of this Policy.

10.4. If you raise concerns **outside** the Council you should ensure that it is to one of these Prescribed Contacts. A public disclosure to anyone else could take employees outside the protection of the Public Interest Disclosure Act and of this Policy.

10.5. If you do take the matter outside the Council, you must ensure that you do not disclose confidential information, unless it is first agreed with one of these prescribed contacts

10.6. This policy does not prevent you from taking your own legal advice.

11. The Responsible Officer

11.1. The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this policy, and will maintain a corporate register of concerns raised and the results of any investigations made (in a form that will not compromise your confidentiality). All Officers nominated to investigate a concern must ensure the Monitoring Officer is provided with sufficient details for the corporate record.

12. Policy Review and Overview

12.1. The Council's Audit & Governance Committee will keep this Policy under review and will receive an annual report on its operation.

12.2. The annual report will, subject to necessary confidentiality, include a summary of the concerns raised, to which department they related, the post to which the concerns related) and any lessons learned. The report will not include any employee names. The aim of this is to ensure that:

- the Council and/or the relevant department learns from mistakes and does not repeat them, and
- consistency of approach across the departments

12.3. The corporate register together with the annual reports will be available for inspection by internal and external audit, after removing any confidential details.

Contact Details	
Departmental Directors	The Council's Intranet – contact the Responsible Officer if you do not have access
Monitoring Officer and Responsible Officer	Sue.Bearman@nsdc.info 01636 655935
Chief Finance Officer/Section 151 Officer	Sanjiv.Kohli@nsdc.info 01636 655303
Chief Executive	John.Robinson@nsdc.info 01636 655200
External Auditors	Mazars LLP Park View House 58 The Ropewalk Nottingham NG1 5DW 0115 964 4744 Nottingham.Contact@mazars.co.uk
Protect	020 3117 2520 https://protect-advice.org.uk
Prescribed Bodies	Whistleblowing: list of prescribed people and bodies - GOV.UK (www.gov.uk)
The Police	Call 101
Your Union	The Council's Intranet – contact the Responsible Officer if you do not have access
Correspondence Address	Newark & Sherwood District Council Castle House Great North Road Newark NG24 1BY

NEWARK & SHERWOOD DISTRICT COUNCIL
WHISTLEBLOWING POLICY

1.0 Introduction

1.1 The aim of this Policy is to encourage employees and others who have serious concerns about any aspect of the Council's work to come forward and voice those concerns in the appropriate way.

1.2 'Whistleblowing' is viewed by the Council as a positive act that can make a valuable contribution to the Council's efficiency and long-term success. It is not disloyal to colleagues or the Council to speak up. The Council is committed to achieving the highest possible standards of service and the highest possible ethical standards in public life and in all of its practices.

1.3 A 'Whistleblower' is generally a person who works in or for an organisation and raises an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation. In doing so they are acting in the wider public interest, usually because it threatens others or impacts on public funds.

1.4 This Policy sets out the procedure to follow if you wish to raise a concern. There is legal protection for employees who raise serious concerns in the right way (under the Public Interest Disclosure Act). This Policy is designed to ensure that you can raise your concerns about wrongdoing or malpractice within the Council without fear of victimisation, subsequent discrimination, disadvantage or dismissal.

1.1 The Public Interest Disclosure Act became law in July, 1999 (PIDA – amended by the Enterprise and Regulatory Reform Act 2013). This Act, introduced for the protection of whistleblowers, removed the limit of financial liability to which an organisation could be exposed should a whistleblower receive unfair treatment. This policy document sets out the Council's response to the requirements of the Act.

A whistleblower is generally a person who works in or for an organisation and raises an honest and reasonable concern about a possible fraud, crime, danger or other serious risk that could threaten colleagues, service users, customers, members of the public or the success and reputation of the organisation. In doing so they are acting in the wider public interest, usually because it threatens others or impacts on public funds.

4.0 Aims of the Policy

4.1 This policy aims to:

- (i) Encourage you to feel confident in raising serious concerns and to question and to act upon concerns about Council practice.
- (ii) Provide avenues for you to raise those concerns and receive feedback on any action taken.
- (iii) Ensure that you receive a response to your concerns and how to pursue them if you are not satisfied.

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(iv) Reassure you that you will be protected from any possible reprisals and victimisation if you have a reasonable belief that you have made the disclosure in the public interest.

■ DetailWhen does this Policy apply?

- ~~All of us at one time or another may have concerns about what is happening at work. Usually these concerns are easily resolved, however, when they are about unlawful conduct, financial malpractice or dangers to the public or the environment (see Section 4.2 for particular types of concerns), it can be difficult to know what to do.~~
- ~~You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling either that it's none of your business, or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.~~
- ~~The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it is expected that you, the Members and the employees of the Council, and others with whom the Council deals who have serious concerns about any aspect of the Council's work, which they consider to be wrong doing and is in the public interest, will come forward and voice those concerns. It is recognised that most cases will be undertaken on a confidential basis.~~
- ~~Newark and Sherwood District Council has introduced this procedure to enable you, as a Member or an employee, to raise your concerns about such malpractice at an early stage and in the right way. The Council would rather that you raised the matter when it is just a concern rather than waiting for proof. The policy is based on the Local Government Management Board Model Confidential Reporting Policy and on, the Public Concern at Work Whistleblowing Policy and Code of Practice.~~

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~~Any amendments to this policy will be notified to Members and employees through the usual channels.~~

4.2 Any serious concerns that you may have about any aspect of service provision or the conduct of others can be reported under this Policy. This may be something that:

- makes you feel uncomfortable
- is against any of the Council's existing Codes and policies
- is contrary to established standards of practice
- amounts to improper conduct

- This Whistleblowing Procedure is primarily for concerns where the interests of others or of the organisation itself are at risk and you have a reasonable belief that raising the concern is in the public interest. This Policy does not apply if something is troubling you, which you think should be known about or looked into, please use this procedure. If, however, you are aggrieved about if the concern relates to your personal position as an employee, or in relation to another individual, please use the Grievance Procedure (which can be obtained from the intranet, your immediate manager or the Business Manager – Human Resources, Organisational Development and Legal [HR, OD & Legal]). ~~This Whistleblowing Procedure is primarily for concerns where the interests of others or of the organisation itself are at risk and you have a reasonable belief that raising the concern is in the public interest.~~

- ~~These procedures do not replace the following policies~~ One of the following policies or procedures may be appropriate depending on the circumstances:

- Anti-Fraud and Corruption Strategy

Children and Adults Safeguarding Policy

- ~~The Council's~~ The Council's - c ~~Complaints - p~~ Procedures for concerns about services provided to individuals including:
- Employee Disciplinary and Dismissal Procedure
- Employee Grievance Procedure
- Employee Dignity at Work Policy
- Procedure for dealing with complaints regarding the conduct of District Councillors

If you are not sure which policy or procedure applies you can ask your line manager or the Council's Monitoring Officer.

2.4 This policy is intended to cover major concerns that may fall outside the scope of other procedures. These include:

- The unauthorised use of public funds.
- Possible fraud or corruption.
- Sexual or physical abuse of both employees and clients.
- Health and Safety risks (including risks to the public as well as other employees).
- Conduct which is an offence or breach of law.
- Failure to comply with a legal or regulatory duty or obligation.
- Disclosures related to miscarriages of justice (ie where the Council has acted improperly or unfairly).
- Damage to the environment.
- Other unethical conduct including improper use of authority

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- Concealment of any of the above.

N.B. This is not an exhaustive list

3.0 This policy applies to Who can raise a concern under this Policy?;

- (i) All Members of the Council;
- (ii) All employees of the Council including employees of Council-owned companies*;
- (iii) Contractors working for the Council on Council premises (for example agency workers, Agency workers, consultants and other individuals working for the Council);
- (iv) Suppliers and those providing services under a contract with the Council, including their employees;
- (v) People working in partnership with the Council, and its employees and Members (e.g. volunteers, trustees etc).

If you are in any doubt as to whether the policy applies to you, please contact the Business Manager – HR, OD and Legal, for clarification.

* Concerns regarding companies owned by the Council, for example Active 4 Today Ltd and Arkwood Developments Ltd, are not covered by this Policy. If an employee has concerns regarding a Council-owned company these should be raised with the company. Any concerns by employees of the Council or its Council-owned companies regarding the Council should be raised through this Policy.

If you are in any doubt as to whether this Policy applies to you, you can ask your line manager or the Council's Monitoring Officer or seek independent advice from Protect. They offer a free and confidential helpline on 020 3117 2520.

- ~~If in doubt – raise it!~~

3.0 The Council's Assurances to You

3.1 Everyone who raises a Whistleblowing Concern

The Council recognises that the decision to report a concern can be a difficult one to make. All concerns reported using this Policy will be given careful consideration, and the Council will do all it can to help you throughout any investigation.

3.1.3.2 Your Safety Employees

~~The Members, the Management Team and Director of Resources (who is the Responsible Officer – see Section 9) are committed to this policy.~~ You will not be at risk of losing your job or suffering any form of retribution or detriment as a result of raising your concerns, provided that you reasonably believe that you are acting in good faith and making the disclosure in the public interest, and follow the reporting procedure explained in this Policy. It does not matter if you are mistaken, so long as you reasonably believe there is a problem.

3.3 The Council will not tolerate any harassment or victimisation of a whistleblower (including informal pressures) and will take appropriate action to protect you if you raise a concern in good faith and will treat this as a serious disciplinary offence which will be dealt

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with under the disciplinary rules and procedure.

3.0 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect you.

~~3.0~~ Rarely, a case might arise where it is the employee that has participated in the action causing concern. In such a case it is in the employee's interest to come into the open as soon as possible. The Council cannot promise not to act against such an employee, but the fact that they came forward may be taken into account. Of course, the Council does not extend this assurance to someone who maliciously raises a matter that they know is untrue or makes an allegation for

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~~personal gain. This could be construed as Gross Misconduct and disciplinary action may be taken.~~

~~If you make an allegation in good faith and reasonably believing it to be true, but it is not confirmed by the investigation, the Council will recognise your concern. If however, you make an allegation frivolously, maliciously or for personal gain, appropriate action that could include disciplinary action, may be taken.~~

3.1 ~~Your Confidence~~Confidentiality

The Council will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, it is recognised that you may nonetheless want to raise a concern in confidence under this policy. If you ask that your identity is protected by keeping your confidence, it will not be disclosed without your consent. If the situation arises where the Council is not able to resolve the concern without revealing your identity (for instance because your evidence is needed ~~for disciplinary proceedings~~, in court, or ~~relates to~~for child protection or adult safeguarding), it will be discussed with you to determine whether and how the matter can be progressed.

3.2 Remember that if you do not tell the Council who you are, it will be much more difficult to look into the matter, or to protect your position, or to give you feedback. Accordingly, while anonymous reports will be considered, this policy is not ~~appropriate ideally suited for to~~ concerns raised anonymously - concerns raised anonymously are much less powerful, but may be considered at the discretion of the Council. This discretion will be based on the:

- seriousness of the issues raised;
- credibility of the concern;
- likelihood of confirming the allegation from an attributable source;
- evidence base.

~~3.3 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that may already affect you.~~

~~4.0 Aims and Scope of the Policy~~

~~4.1 This policy aims to:~~

- ~~(i) Encourage you to feel confident in raising serious concerns and to question and to act upon concerns about Council practice.~~
- ~~(ii) Provide avenues for you to raise those concerns and receive feedback on any action taken.~~
- ~~(iii) Ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied.~~
- ~~(iv) Reassure you that you will be protected from any possible reprisals and victimisation if you have a reasonable belief that you have made the disclosure in the public interest.~~

~~4.2 There are already existing procedures in place within the Authority for disclosing certain concerns. These are:~~

- ~~(i) The Authority's Grievance Procedure, which enables you to lodge a grievance/ complaint relating to your own employment.~~

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- ~~(ii) The Authority's Anti-Fraud Strategy, which outlines how you can disclose potential fraud, corruption or theft.~~
- ~~(iii) The Authority's Dignity at Work Policy, which enables you to disclose cases of potential harassment.~~
- ~~(iv) The Authority's Children and Adult Safeguarding Policy, which outlines the procedure for reporting safeguarding concerns.~~

~~This policy is intended to cover major concerns that may fall outside the scope of other procedures. These include:~~

- ~~■ The unauthorised use of public funds.~~
- ~~■ Possible fraud or corruption.~~
- ~~■ Sexual or physical abuse of both employees and clients.~~
- ~~■ Health and Safety risks (including risks to the public as well as other employees).~~
- ~~■ Conduct which is an offence or breach of law.~~
- ~~■ Failure to comply with a legal or regulatory duty or obligation.~~
- ~~■ Disclosures related to miscarriages of justice (ie where the Council has acted improperly or unfairly).~~
- ~~■ Damage to the environment.~~
- ~~■ Other unethical conduct including improper use of authority~~
- ~~■ Concealment of any of the above.~~

~~N.B. This is not an exhaustive list~~

~~4.3 It is clear that any serious concerns that you may have about any aspect of service provision, or the conduct of officers or Members of the Council, or others acting on behalf of the Council, can be reported under this policy. This may be something that:~~

- ~~■ makes you feel uncomfortable,~~
- ~~■ is against any of the Council's existing Codes and policies, such as Standing Orders etc,~~
- ~~■ is contrary to established standards of practice,~~
- ~~■ amounts to improper conduct or~~
- ~~■ involves child abuse~~

5.0 How to Raise a Concern

5.1 You may wish to consider discussing your concern with a colleague first, and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

5.15.2 STEP 1

If you have a concern about malpractice and you have a reasonable belief that disclosing the information is in the public interest, it is hoped that you will be able to raise it first with your immediate manager or supervisor. This will obviously depend upon the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that a member of management is involved you should approach the officers identified in Step 2 below. We advise that you make it clear that you are raising your concerns under the Council's whistleblowing arrangements – this will help managers respond in line

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with this policy. You may, at any stage, feel the necessity to take independent advice (See Section 5.4).

5.25.3 STEP 2

If you feel unable to raise the matter with your manager, for whatever reason, you can raise the matter with:

- ~~Name: Business Manager – Financial Services~~
- ~~Contact Details: Castle House, Great North Road, Newark, Notts, NG24 1BY~~
~~Tel: 01636 655317~~

• ~~OR~~

- ~~Name: Business Manager – HR, OD and Legal~~
- ~~Contact Details: Castle House, Great North Road, Newark, Notts, NG24 1BY~~
~~Tel: 01636 655219~~

• ~~OR~~

- ~~Name: Karen White – Director Safety and Senior Named Manager for Safeguarding~~
- ~~Contact Details: Castle House, Great North Road, Newark, Notts, NG24 1BY~~
~~Tel: 01636 655240~~ Your Departmental Director
- The Monitoring Officer
- The Chief Financial Officer (Section 151 Officer)
- The Chief Executive

If, your concern is about the Chief Executive of the Council it can be raised with the Monitoring Officer or the Chief Financial Officer, or with the Council’s External Auditors, Mazars LLP.

All contact details are provided on the final page of this Policy.

5.3 STEP 3

~~If one, or all, of these channels have been followed, and you still have concerns, or if you feel that the matter is so serious that you cannot discuss it with any of the above, you may wish to contact the Director Resources:~~

- ~~Name: The Director Resources and Responsible Officer – See Section 9~~
- ~~Contact Details: Castle House, Great North Road, Newark, Notts, NG24 1BY Tel: 01636 655303~~

5.4 INDEPENDENT ADVICE

If you are unsure whether in principle to use this procedure or you want independent advice at any stage, you may contact:

- The ~~Business Manager – Human Resources, OD and Legal – See Step 2 above;~~ Council’s Monitoring Officer
- your Union (if you are a member);

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- The Council's External Auditors
[Mazars LLP](#); or
- ~~The independent charity [Public Concern at Work on 0207 404 6609. Their lawyers can give you free confidential advice at any stage about how to raise a concern about serious malpractice at work](#)~~[Protect. They offer a free and confidential helpline.](#)



[. All contact details are provided on the final page of this Policy.](#)

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6.0 EXTERNAL CONTACTS

While it is hoped that this policy gives you the reassurance you need to raise such matters internally, it is recognised that there may be circumstances where you can properly report matters to outside bodies, such as the ~~Prescribed regulators~~ Regulators (external bodies able to take and consider your concerns), some of which are outlined below, or the police. ~~(Prescribed regulators, who will be appointed by the Government, are external bodies able to take and consider your concerns). Public Concern at Work, or if applicable your own union, will be able to advise you on such an option and~~ It is strongly recommended that you seek independent advice (see above) on the circumstances in which you may be able to contact an outside body safely, before proceeding.

By way of example, relevant Prescribed Regulators are as follows to the Council's functions are:

1. Health and Safety risks	Health and Safety Executive.
2. Environmental issues	The Environment Agency.
3. Financial Services	Financial Services Authority (and, pending its full operation, its predecessor bodies) and HM Treasury.
4. Fraud and Fiscal Irregularities	Serious Fraud Office, Inland Revenue and Customs and Excise.
5. Public Sector Finance	National Audit Office and Audit Commission.
6. Competition & Consumer Law	Office of Fair Trading
7. Others	Certification Officer (Trade Unions), Charity Commission, Data Protection Registrar. <u>Information Commissioner's Office</u>

~~There are additional regulators other than those outlined above. It is strongly recommended that if you consider taking this route, advice is taken as previously outlined.~~

~~6.1 You may wish to consider discussing your concern with a colleague first, and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.~~

~~6.2 You may invite your Union representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.~~

6.1 Contact details are provided on the final page of this Policy.

6.0 **Information needed to raise a concern**

6.1 When raising a concern under the procedure you should try to provide the following information:

- The nature of your concern and why you believe it to be true
- The background and ~~reason~~ history behind the concern;
- Whether you have already raised a concern with anyone and the response; and
- Any relevant dates when actions relating to the concern took place.

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This information should demonstrate that there are reasonable grounds for the concern to be acted upon. It is important that you do not attempt to investigate the concerns yourself.

Although you are not expected to prove beyond doubt the truth of your suspicion, you will need to demonstrate to the person contacted that you have a genuine concern relating to suspected wrongdoing or malpractice within the Council and there are reasonable grounds for your concern.

7.0 **How the Matter Will Be Handled**

7.1 Any concerns raised will always receive a response. Once you have notified the Council of your concern, in order to protect individuals and those accused of possible malpractice, initial enquiries will be made in order to identify whether an investigation is appropriate and, if it is, what form it should take.

This may involve an internal enquiry or a more formal investigation by management or Internal Audit, following which, matters may be referred to an external agency (such as External Audit or the police).

Any investigation may need to be carried out under terms of strict confidentiality, i.e. by not informing the subject of the complaint until (or if) it becomes necessary to do so. In certain cases however, such as allegations of ill treatment of others, suspension from work may have to be considered immediately. Protection of others is paramount in all cases.

The overriding principle here is the public interest.

7.2 When you raise the concern you may be asked how you think the matter might best be resolved. If you have any personal interest in the matter, it is vital that this is mentioned at the outset. If your concern more properly falls within another Council Policy, such as the Grievance Procedure or Dignity at Work Policy, you will be notified.

7.3 Before a final decision is taken on how to proceed, or as part of the investigation, you may be asked to meet with those investigating the concern.

7.4 If a meeting is arranged, ~~you-employees~~ may wish to be accompanied by a trade union representative or work place colleague. The person who accompanies you should not be involved or have a direct interest in the area of work to which the concern relates. The meeting can be conducted over the telephone or online rather than ~~face to face~~ in person. An in person meeting can be arranged away from your workplace if you wish.

7.5 You will be notified who is handling the matter, how you can contact them, and whether your further assistance may be needed.

7.6 Within ten working days of a concern being raised, the Responsible Officer will write to you:

- (i) acknowledging that the concern has been received.
- (ii) indicating how it is proposed to deal with the matter.
- (iii) giving an estimate of how long it will take to complete investigations.

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- (iv) advised of the investigating officer (where appropriate).
- (v) telling you whether any initial enquiries have been made.
- (vi) telling you whether further investigation will be made, and if not, why not.
- (vi) supplying you with information on how the Council will support you if you think this is necessary, whilst the matter is under consideration.
- (vii) advise you of how we will inform you of progress.

7.7 The amount of contact between you and the officers considering the matter will depend on both the nature of the matters raised, the potential difficulties involved

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and the clarity of the information provided. If necessary, further information will be sought from you.

- 7.8 You will be notified when the matter is concluded and, if appropriate, the outcome of the investigation, maintaining security and confidentiality for all parties as far as possible.
- 8 Throughout any investigation, ~~you employees~~ will still be expected to continue your duties/role as normal unless deemed inappropriate.
- 8.0 While the purpose of this policy is to investigate possible malpractice and take appropriate steps to deal with it, you will be given as much feedback as appropriate.
- 8.1 Rarely, a case might arise where it is the employee that has participated (or even continues to participate) in the action causing concern. In such a case it is in the employee's interest to come into the open as soon as possible. The Policy cannot undertake not to act against such an employee, but by virtue of coming forward there is a mitigating factor to be taken into account.
- 8.2 Steps will be taken to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, arrangements will be made for you to receive advice about the procedure. The Council will take all reasonable steps to ensure that you do not suffer a detriment by a colleague because you have made a protected disclosure and if you believe that you have suffered a detriment for having raised a concern you should report this.

8.0 If You Are Dissatisfied

~~8.1 This Policy is intended to provide you with an avenue within the Council to raise concerns. While it cannot be guaranteed that all matters will be addressed in the way that you might wish, it will always be the Council's intention to handle the matter fairly and properly. By using this policy, you will help achieve this.~~

~~8.2~~

~~8.3 However if you feel that the Council has not responded correctly at any stage, remember you can go to the other levels and bodies mentioned in Section 5.5 detailed in this Policy:~~

- ~~• The Council's external auditors Mazars LLP~~
- ~~• The Police~~
- ~~• The Prescribed Bodies. While it cannot be guaranteed that all matters will be addressed in the way that you might wish, it will always be the Council's intention to handle the matter fairly and properly. By using this policy, you will help achieve this.~~

Contact details are provided on the final page of this Policy.

~~8.4 If you raise concerns **outside** the Council you should ensure that it is to one of these prescribed contacts. A public disclosure to anyone else could take employees outside the protection of the Public Interest Disclosure Act and of this Policy.~~

~~8.5 If you do take the matter outside the Council, you must ensure that you do not disclose confidential information, unless it is first agreed with one of these prescribed~~

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contacts

8.6

8.18.7 This policy does not prevent you from taking your own legal advice.-

9.0 The Responsible Officer

9.1 The ~~Director~~ Resources Monitoring officer has overall responsibility for the maintenance and operation of this policy, and will maintain a ~~record~~ corporate register of concerns raised and the results of any investigations made (in a form that will not compromise your confidentiality). All Officers nominated to investigate a concern must ensure the Monitoring Officer is provided with sufficient details for the corporate record.

10 Policy Review and Overview

10.0 The Council's Audit & Governance Committee will keep this Policy under review and will receive an annual report on its operation.

10.1 The annual report will, subject to necessary confidentiality, include a summary of the concerns raised, to which department they related, the post to which the concerns related) and any lessons learned. The report will not include any employee names. The aim of this is to ensure that:

- the Council and/or the relevant department learns from mistakes and does not repeat them, and
- consistency of approach across the departments

The corporate register together with the annual reports will be available for inspection by internal and external audit, after removing any confidential details.

11 Contact Details

<u>Departmental Directors</u>	<u>The Council's Intranet – contact the Responsible Officer if you do not have access</u>
<u>Monitoring Officer and Responsible Officer</u>	<u>Sue.Bearman@nsdc.info</u> <u>01636 655935</u>
<u>Chief Finance Officer/Section 151 Officer</u>	<u>Sanjiv.Kohli@nsdc.info</u> <u>01636 655303</u>
<u>Chief Executive</u>	<u>John.Robinson@nsdc.info</u> <u>01636 655200</u>
<u>External Auditors</u>	Mazars LLP Park View House 58 The Ropewalk Nottingham NG1 5DW United Kingdom Agenda Page 157 <u>+440 115 964 4744</u>

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	Nottingham.Contact@mazars.co.uk
<u>Protect</u>	020 3117 2520 https://protect-advice.org.uk
<u>Prescribed Bodies</u>	Whistleblowing: list of prescribed people and bodies - GOV.UK (www.gov.uk)
<u>The Police</u>	Call 101
<u>Your Union</u>	The Council's Intranet – contact the Responsible Officer if you do not have access
<u>Correspondence Address</u>	Newark & Sherwood District Council, Castle House, Great North Road, Newark, NG24 2EG



Report to: Audit & Governance Committee Meeting: 1 February 2023

Director or Business Manager Lead: Sue Bearman – Assistant Director Law and Information Governance, Monitoring Officer

Lead Officer: Sue.Bearman@nsdc.info
01636 655935

Report Summary	
Report Title	Gifts and Hospitality Protocol and Policy
Purpose of Report	To review of the Council’s policies for Members and Officers (employees) for consistency and to ensure they are fit for purpose.
Recommendations	That the report be noted and that the Committee includes an annual review of the operation of the Council’s Gifts and Hospitality arrangements in the Committee’s work plan
Reason for Recommendation	To progress an action included in the Council’s Annual Governance Statement for 2022/3

1.0 Background

- 1.1 A Protocol for Members on Hospitality and Gifts is included in the Council’s Constitution and is reproduced at **Appendix 1** of this report for reference. There is separate provision relating to gifts and hospitality in the Code of Conduct for Members which was fully updated and adopted by Full Council on 13 July 2021.
- 1.2 Members are required to register gifts and hospitality over a certain value (even if declined) with the Monitoring Officer, via Democratic Services. These details are then published on the relevant Members’ web page together with their register of interests, attendance record and so on.
- 1.3 There is a separate Gifts and Hospitality Policy for Officers which is available on the staff intranet and as **Appendix 2** to this report. This is referenced in induction materials for all new starters via the Officer Code of Conduct.
- 1.4 Officers are required to register gifts and hospitality over a certain value (even if declined) with Administrative Services. These details are then published on the Council’s website.
- 1.5 In October 2022 all Members were issued with a reminder from the Chairman of this Committee and the Monitoring Officer, about the importance of registering and

declaring interests, managing conflicts of interest, and registering gifts and hospitality. A similar reminder was issued to all Business Managers by email in October and published in the staff newsletter in November 2022.

- 1.6 The Council made a commitment in its Annual Governance Statement to review the Gifts and Hospitality Policy and Protocol.

2.0 Minor amendments to the Protocol and Policy

- 2.1 The Protocol for Members on Hospitality and Gifts is supplementary to the requirements of the Code of Conduct for Members. On review, there is a minor inconsistency; the Code required all gifts or hospitality with an estimated value of at least £50 to be publicly registered while the Protocol gives a figure of £100. It seems the Protocol was not updated when the revised Code of Conduct was adopted in 2021, and therefore the proposal is for the Monitoring Officer to make this correction as a consequential amendment, reporting it for completeness to Full Council. No further amendments are proposed at this time.

- 2.2 The Policy & Guidance on Gifts and Hospitality for Officers requires some minor updates in terminology (Senior Leadership Team instead of Corporate Management Team) and one correction in the 'Legal Position' section. No further amendments are proposed at this time.

3.0 Proposals/Options Considered

- 3.1 Gifts and hospitality requirements will be included as part of the new Member induction programme after the May 2023 elections.
- 3.2 A reminder will be circulated for all staff in October/November 2023 and diarised annually thereafter.
- 3.3 Members are asked to consider whether there would be merit in the Committee receiving summary reports in future regarding the nature of gifts and hospitality offered and accepted or declined, or whether the publication of details is sufficient.

Implications

In writing this report and in putting forward recommendations' officers have considered the following implications: Data Protection, Digital and Cyber Security, Equality and Diversity, Financial, Human Resources, Human Rights, Legal, Safeguarding and Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- The Protocol for Members on Hospitality and Gifts is published in the [Council's Constitution](#) – page F19

- The Code of Conduct for Members is published in the [Council's Constitution](#) – Gifts and Hospitality are referenced on page F8
- The Officer Register of Gifts and Hospitality is published on the Council's [website](#)
- Individual Member web pages are published on the Council's [website](#)

PROTOCOL FOR MEMBERS ON HOSPITALITY AND GIFTS

1.0 Introduction

1.1 This guidance is supplementary to the requirements of the Code of Conduct. The Code governs the ethical standards required of members. Specifically, it seeks to ensure that the public role of members is not prejudiced by inappropriate behaviour or association. Members may be offered gifts or hospitality and it is important that such offers are considered critically. This guidance is intended to assist in determining how to respond to such offers.

2.0 Principles

2.1 People or bodies may have ongoing contractual relationships with the Council. Equally, people or bodies may need planning permission or other consent from the Council to conduct their affairs. They could seek to secure a sympathetic response from Council Members by the making of gifts. Equally whether or not the intention to secure an advantage is present, an outsider might suspect that an improper advantage is being sought from a member. It is essential that members should give critical consideration to the offer of gifts or hospitality in that light.

2.2 There are few hard and fast rules governing the acceptance of gifts and hospitality. Clearly if the offer is corrupt, there are criminal implications. Moreover, the Code of Conduct requires any member receiving any gift or hospitality over the value of £100 in his or her capacity as a Member to notify the Monitoring Officer of the existence and nature of that gift or hospitality within twenty-eight days of receiving it. Details are entered in a register maintained by the Monitoring Officer, which is open to public inspection.

2.3 Members are personally responsible for all decisions connected with the acceptance of gifts or hospitality and for avoiding the risk of damage to public confidence in the authority.

2.4 Members should therefore treat all offers of gifts or hospitality with caution, with a view to not only avoiding impropriety but also any suggestion of impropriety. Members should give the same consideration to offers made to members of their family or friends, which could be viewed as securing an indirect benefit to themselves.

2.5 Although all offers should be treated with caution, there will be occasions where not to accept reasonable gifts or hospitality would prejudice the regular conduct of the Council's business or give offence to persons or bodies of significance to the Council. This is most obviously seen in the context of overseas civic twinning arrangements and similar events where courtesies demand the exchange of reasonable gifts and hospitality and where special arrangements (detailed later) are in place. Equally, it is reasonable to expect business meetings to be accompanied by modest refreshment should the nature and duration of the meeting demand it. An example would be the provision of a working lunch.

2.6 It is important that the offer and receipt of gifts and hospitality takes place in an open manner. Such openness will serve to remove suspicion and provide accountability. It will also deter the making of inappropriate offers.

3.0 General Guidance

3.1 Whether to accept the offer of a gift or hospitality should be considered in the light of the above principles and the guidance issued pursuant to the Bribery Act 2010.

3.2 Members should never accept a gift or hospitality as an inducement or reward for taking any particular action or for refraining from taking any particular course of action.

3.3 Members should never accept a gift or hospitality if acceptance may be open to misinterpretation.

3.4 Members should never solicit a gift or hospitality in an individual capacity (however this shall not prevent them from seeking grants, sponsorship or other benefits on behalf of the district or the community of their ward area).

3.5 Receiving civic hospitality provided by another public authority is acceptable.

3.6 Receiving tickets for sporting, cultural and entertainment events sponsored by the authority would normally be acceptable but will be dependent on the precise nature of the event and the value of the ticket.

3.7 Members should declare the receipt of all significant offers of gifts and hospitality to the Monitoring Officer whether or not the offer has been accepted (for the avoidance of doubt, this does not require the declaration of modest gifts of no significant value such as a diary or calendar or modest refreshments such as tea, coffee and biscuits or a working lunch) but will include offers of gifts and hospitality such as bottles of wine, even where the value is substantially below the £100 limit set out in the Code. The Monitoring Officer will keep a separate register of the receipt of gifts and hospitality as required by the formal Code i.e. over £100.

3.8 Members should be particularly alert to any relationship that the person making the offer has to the Council, i.e. whether they have a contractual relationship with the Council or whether they are likely to require a favourable decision from the Council, e.g. a planning permission, a contract or a licence.

3.9 It is acceptable to receive modest gifts on significant occasions, e.g. at Christmas where not to do so would show a lack of courtesy. An example of such a gift might be a diary or a calendar. Receipt of gifts such as a bottle of wine etc would not normally be acceptable but may, in exceptional circumstances, be dealt with under paragraph 5 “Special Arrangements”. Acceptance of a gift or hospitality is more likely to be acceptable where that offer either has been or is likely to be reciprocated by the Council.

- 3.10 Accepting modest refreshment such as a working lunch, or hospitality provided as part of an official opening ceremony or similar event would be acceptable.
- 3.11 It is the responsibility of each individual member to decide whether to accept offers of gifts and hospitality. If in doubt, advice should be sought from the Monitoring Officer or Head of Paid Service. In exercising their judgement Members should have regard both to the particular circumstances and as to whether a member of the public, with knowledge of the relevant facts, would reasonably consider its acceptance to be appropriate.
- 3.12 An important criterion in exercising judgement as to what is acceptable is what interpretation those in the community or the press might reasonably put upon acceptance having full knowledge of the relevant facts.
- 3.13 Repeated offers of gifts or hospitality from one person, firm or organisation may render unacceptable what would otherwise have been acceptable.
- 3.14 Particular care should be taken where a member has any involvement in making a decision for placement of a contract or for any decision carrying value for the person or organisation offering the gift or hospitality (for example, the granting of planning permission).

4.0 Civic Gifts and Hospitality

- 4.1 It is the responsibility of the Chief Executive to ensure that hospitality for civic events is proportionate to the occasion. A guiding principle in accepting or offering hospitality is whether it is reasonable to expect the hospitality to be reciprocated at a similar level.
- 4.2 The presumption is that any gifts given to the Chairman or Vice-Chairman are gifts to the office of the Chairman and so belong to the Council. The Chief Executive is the final arbiter of whether such gifts belong to the Council or to the individual occupying the office of Chairman. In exercising such judgement, the Chief Executive shall have particular regard as to whether the gifts were given to the office holder in a personal or in an official capacity and the value of such gifts.
- 4.3 The Chief Executive will maintain a record of all gifts to the office of Chairman. All gifts in excess of a value of £100 will be declared to the Monitoring Officer for entry in the register.
- 4.4 For the avoidance of doubt, the above provisions shall not apply to any gifts donated for the purpose of any raffle or similar fund-raising events organised by the Chairman for the purposes of the Chairman's charity.

5.0 Special Arrangements

- 5.1 If a Member receives a gift where the donor is unknown, where it is impracticable to return the gift to the person or organisation making the gift, or where the Member reasonably considers that to return it would cause undue offence, in circumstances where it would otherwise be inappropriate to accept the gift, the Member should deal with the gift in accordance with the procedure set out below.
- 5.2 The Member must, as soon as practicable after receipt of the gift pass it to the Chief Executive or Monitoring Officer to be donated to the Chairman's Charity. The Chief Executive or Monitoring Officer shall write to the person or organisation making the gift, if known, thanking them on behalf of the Member for the gift and informing them that it has been donated to the Chairman's Charity Fund.

POLICY & GUIDANCE

GIFTS & HOSPITALITY

Version 1: May 2013
Revised: March 2018

1.0 Introduction

- 1.1 It is important that all employees are aware of, and comply with, the Council's policy regarding the acceptance of gifts or hospitality. As well as protecting the Council, this policy is also aimed at protecting the integrity of employees.
- 1.2 This policy applies to all employees of Newark and Sherwood District Council. Failure to comply with this policy could lead to disciplinary procedures being instigated.

If after reading this policy you are in any doubt as to how./ whether it applies to a given situation, please consult your Business Manager (or above) or a member of the Human Resources team.

2.0 Background

- 2.1 Very careful consideration must be given to the acceptance of gifts and hospitality. Acceptance of a gift or some hospitality may make it difficult to avoid some obligation real or perceived. You should therefore treat all offers of gifts or hospitality with extreme caution, with a view to not only avoiding impropriety but also any suggestion of it.
- 2.2 The principle behind this policy is that employees should not accept gifts and hospitality, unless the principles outlined in this policy are met. Whilst the refusal of such offers may cause offence or hinder working relationships, the acceptance of such offers could equally be misinterpreted leading to inaccurate expectations of favour or even in some circumstances constituting a criminal offence.
- 2.3 Under no circumstances should you solicit any gift or hospitality.
- 2.4 You need to have regard to how the acceptance of a gift and/or hospitality would be perceived by the general public, regardless of whether you are accepting it in good faith with no intention of giving the provider of the gift/hospitality any preferential treatment.
- 2.5 This is particularly important where it might later be construed to have affected your impartiality when acting in an official capacity (including but not limited to the granting of planning permission or the awarding of a contract).
- 2.6 Gifts must not be accepted from outside contractors, companies or individuals who are or who are likely to enter into a contractual relationship with the Council other than in exceptional circumstances and only with the express permission of your Business Manager or a member of the Corporate Management Team.
- 2.7 You should give the same considerations to offers made to members of your family or friends as this could be viewed as securing an indirect benefit to you

2.8 Repeated offers of gifts and hospitality from one person, firm or organisations, even where the gift or hospitality may not itself be considered to be significant, may render unacceptable what would otherwise have been acceptable.

3.0 Gifts

3.1 Various selling techniques are used by suppliers including the offer of 'free' gifts to buyers/purchasers in return for orders being placed. These inducements come in many guises including, but not exclusively, gifts, vouchers, money, discounts off private purchases etc. They should not be accepted in a private capacity. All officers, especially those involved in the procurement process must be on their guard against this type of offer. Where possible any such inducements should be translated into discounts available to the Council.

3.2 Only the Council must be the beneficiary of preferential trading terms, not individual officers. You must not acquire goods from, or use the services of, a firm on preferential terms for private purposes if those terms are given directly or indirectly because of the contractual or other business relationship between the firm and the Council.

3.3 Although casual gifts offered to you by contractors, firms, suppliers or individuals may not be in any way connected with the performance of official duties, they must be refused. Gifts may only be accepted if they are of a modest or inexpensive nature (e.g. pocket diaries, calendars, pens up to a value of £10). Even if such a small gift is accepted it should still be entered into the Gifts and Hospitality Register.

3.4 If, where a gift is received from an unknown donor, where it is impracticable to return the gift to the person or organisation making the gift, or where the officer receiving the gift considers that to return it would cause undue offence the officer should, as soon as practicable after receipt of the gift and informing their Business Manager (or above), pass it to the Chief Executive or Monitoring Officer who will donate it to the Chairman's Charity or dispose of it as appropriate. The Chief Executive or Monitoring Officer will write to the person or organisation making the gift (if known), thanking them on behalf of the Officer and informing them that it has been donated to the Chairman's Charity Fund or otherwise disposed of.

4.0 Hospitality

4.1 Offers of meals and drinks (e.g. working breakfast, lunch, dinner or refreshments, provided during the course of attending training, seminars, conferences or official events) held by the Authority may be accepted. Receiving hospitality provided by another public authority in similar circumstances would also normally be acceptable.

4.2 Anything which extends beyond that detailed in 4.1 above must have the prior approval of your Business Manager or a member of the Corporate Management Team. Examples of such hospitality could include, but is not restricted to, invitations from suppliers to lunch, promotional events and/ or Christmas functions, etc.

- 4.3 Invitations to sporting, cultural or social events (other than official duties), offers of free travel and invitations to other events should only be accepted with the prior approval of the relevant Business Manager or member of the Corporate Management Team. This applies even if the hospitality is taken in your own time.
- 4.5 An important criteria in exercising judgement as to what is acceptable as set out in paragraph 4.3 above is what interpretation those in the community or the press might reasonably put upon acceptance having full knowledge of the relevant facts. Ultimately it is your responsibility, having regard to the relevant circumstances to decide whether the offer is acceptable and to seek advice / guidance if you are unsure.

5.0 Legal Position

Briefly the legal position is as follows:

- 5.1 A term is implied into every contract of employment that the employee will act honestly and faithfully. An employee is in breach of this duty of fidelity if they take advantage of their position to enrich themselves without the knowledge or consent of the employer. Such 'enrichment' belongs to the employer and can be recovered by the employer through the courts.
- 5.2 A serious consequence of the improper acceptance by an officer of gifts or hospitality from a third party is the possibility that a criminal offence may have been committed. The relevant law is embodied in the Bribery Act 2010; this legislation repealed the previous legislation (Public Bodies Corrupt Practices Act 1889 and the Prevention of Corruption Acts of 1906 and 1916)
- 5.3 Section 117(2) of the Local Government Act 1972 provides that an officer of a local Authority shall not, under colour of his or her office of employment, accept any fee or reward other than his or her proper remuneration. The expression 'any fee or reward' includes such things as unauthorised commissions, gifts or presents. Assume that this legislation is still valid? It is not covered under the repeals/revocation part of the new legislation...
- 5.6 If an inducement is offered or thought to have been offered, even if refused, this must be reported to your Business Manager and to the Section 151 Officer as soon as practicable after the approach is made.

6.0 Guidance for Completing the Gifts and Hospitality Register

- 6.1 The Council's Gifts and Hospitality register is held by Administrative Services and is published on the internet each quarter. The procedure to record any gift is at point 6.5.
- 6.2 All offers of gifts and hospitality must be recorded in this register. This is regardless of whether the gift/hospitality is accepted or refused. All details in the register must be promptly and fully completed.

6.3 Where a gift or hospitality is accepted, the entry in the corporate register must be supported by written confirmation of approval by the relevant officer (as below).

Gift/Hospitality Offered to:	Approval Required by:
Below Business Manager	Business Manager
Business Manager	Member of the Corporate Management Team
Member of the Corporate Management Team	Chief Executive (or in their absence Section 151 Officer or Monitoring Officer)
Chief Executive	Monitoring Officer or Section 151 Officer

6.4 This written approval must be saved to the Gifts and Hospitality network directory and the file name cross referenced to the entry on the register. Whilst all offers of gifts and hospitality must be recorded, written approval is only required where any gift or hospitality over the value of £10 is accepted.

6.5 **Gifts and Hospitality - Procedure**
Gift/Hospitality offered (whether declined or accepted)

Officers complete the form from the intranet (under administrative services page) with the following information for logging on the Gifts and Hospitality Register:

- Directorate
- Business Unit
- Name of Officer
- Job Title
- Company Organisation who made the offer
- Description of Gift or Hospitality offered
- Approximate Value of the Gift/Hospitality
- Date of offer and/or refusal

Gift/Hospitality offered and request to accept:

Officers send the partially completed form to their Line Manager as per instructions in the policy guide requesting authorisation, if applicable, for the gift or hospitality. Please copy administrativeservices@nsdc.info into the e-mail.

Line Managers should then complete the remainder of the form and attach it to an e-mail, replying to their staff confirming authorisation or otherwise, ensuring that administrativeservices@nsdc.info is copied into the e-mail. Please ensure the fully completed form is attached.



Report to: Audit & Governance Committee Meeting – 1 February 2023

Director or Business Manager Lead: Nick Wilson, Business Manager – Financial Services
Sue Bearman, Assistant Director - Legal & Democratic Services

Report Summary	
Report Title	Audit & Governance Committee Work Plan
Purpose of Report	Work Plan attached for consideration and approval
Recommendations	That the Audit & Governance Committee consider the Work Plan for approval.

AUDIT & GOVERNANCE COMMITTEE**MEETING DATE 1st FEBRUARY 2023****WORK PLAN**

Meeting date at which action to be undertaken	Subject and Brief Description	Who will present the report	Intended Outcome
26 April 2023	Risk Management report	Richard Bates	Gain assurance that appropriate risk management arrangements are in place
	External Auditors Annual Audit Report	David Hoose (Mazars)	Gain assurance on the Council's Statement of Accounts and arrangements for achieving Value for Money
	Statement of Accounting Policies 2022/23	Andrew Snape	Gain assurance that the Council has appropriate accounting policies in place that reflect the way items are treated in the annual Statement of Accounts
	Counter-Fraud Activity Report	Nick Wilson	Gain assurance that counter-fraud activity is appropriately targeted and effective
	Fraud Risk Assessment	Nick Wilson	Gain assurance that the Council understands its fraud risks and that actions are put in place to address them
	IAS19 Pension Assumptions 2022/23	Andrew Snape	Gain assurance that the pension assumptions used by the actuary to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Property, Plant and Equipment Valuation Assumptions 2022/23	Andrew Snape	Gain assurance that the assumptions used by the Council's valuers to produce the figures in the Statement of Accounts are appropriate for the Council's circumstances
	Annual Internal Audit Plan 2023/24	Lucy Pledge/McJoy Nkhoma (Assurance Lincolnshire)	Ensure that an appropriate plan is in place which will provide assurance on the Council's activities
	Internal Audit Progress Report 2022/23	Lucy Pledge/McJoy Nkhoma (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks

	Code of Conduct Annual Report	Sue Bearman	To provide details of Code of Conduct complaints received in 2022/23
	Independent Persons	Sue Bearman	To consider the appointment of the Council's Independent Persons
TBC JUNE 2023	Training session on Statement of Accounts	Andrew Snape	Ensure that the Committee has the appropriate skills to be able to review the Council's Statement of Accounts and consider the integrity of financial reporting
14 June 2023	Treasury Management Outturn Report 2022/23	Andrew Snape	Gain assurance that treasury management activities were in line with the Treasury Management Strategy for the past financial year
	External Audit Plan for 2022/23 Accounts	David Hoose (Mazars)	Ensure that an appropriate plan is in place which will provide assurance on the Council's Statement of Accounts, Value for Money arrangements and Grant claims
	Statement of Accounts 2022/23 & Annual Governance Statement	Nick Wilson	Gain assurance on the integrity of financial reporting By considering the assurance gained through its activities throughout the previous year, to give assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified, and that arrangements in place support the achievement of the Council's objectives
	Annual Internal Audit Report 2022/23	Lucy Pledge/Emma Bee/McJoy Nkhoma (Assurance Lincolnshire)	Gain assurance that the Council's Annual Governance Statement accurately represents governance arrangements, that future risks are identified and that governance arrangements support the achievement of the Council's objectives
	Internal Audit Progress Report 2022/23	Lucy Pledge/Emma Bee/McJoy Nkhoma (Assurance Lincolnshire)	Understand the level of assurance for audited activities and ensure management progress recommended actions to mitigate identified risks