



Thursday, 7 May 2020

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 18 May 2020 (to be held virtually, via Microsoft Teams), commencing at 2.00pm.

Should you require advice on declaring an interest in any item on the agenda, please contact Legal Services at your earliest convenience.

Yours faithfully

Chief Executive

To Councillors: S A Bagshaw (Vice-Chair)  
E Cubley  
R H Darby  
M Hannah  
M Handley  
H G Khaled MBE  
J M Owen

J P T Parker  
M Radulovic MBE  
P D Simpson  
I L Tyler  
D K Watts  
E Williamson (Chair)

## A G E N D A

1. APOLOGIES

To receive any apologies and notification of substitutes.

2. DECLARATIONS OF INTEREST

Members are requested to declare the existence and nature of any disclosable pecuniary interest and/or other interest in any item on the agenda.

3. MINUTES

(Pages 1 - 2)

The Committee is asked to confirm as a correct record the minutes of the meeting held on 2 December 2019.

4. SCALE FEE (Pages 3 - 6)
5. ACCOUNTS AND AUDIT (CORONAVIRUS) (AMENDMENT) REGULATIONS 2020 (Pages 7 - 8)
- To outline amendments to the Accounts and Audit Regulations (2015) introduced following the coronavirus outbreak and set out how the Council intends to comply with these when producing the Statement of Accounts 2019/20.
6. EXTERNAL AUDIT PLAN 2019/20 (Pages 9 - 28)
- This report provides the Committee with an overview on progress in delivering Mazar's responsibilities as the Council's external auditors.
7. CORPORATE GOVERNANCE ARRANGEMENTS (Pages 29 - 60)
- To inform the Committee of action taken to develop and comply with statutory obligations regarding corporate governance and to seek approval of the Annual Governance Statement for inclusion in the Council's published Statement of Accounts for 2019/20.
8. STATEMENT OF ACCOUNTS 2019/2020 - ACCOUNTING (Pages 61 - 80)
- To provide Members with any updates made to the Council's accounting policies in relation to the production of the 2019/2020 financial statements.
9. STATEMENT OF ACCOUNTS 2019/2020 - UNDERLYING PENSION ASSUMPTIONS (Pages 81 - 84)
- To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2019/2020 Statement of Accounts.
10. GOVERNANCE DASHBOARD - MAJOR PROJECTS (Pages 85 - 88)
- To provide the Committee with a governance dashboard report relating to the Council's major and key projects.

11. INTERNAL AUDIT PROGRESS REPORT (Pages 89 - 104)  
To inform the Committee of the recent work completed by Internal Audit.
12. INTERNAL AUDIT PLAN 2020/21 (Pages 105 - 114)  
To approve the Internal Audit Plan for 2020/21.
13. REPORT OF THE INTERIM MONITORING OFFICER (Pages 115 - 120)  
The Local Government Ombudsman (LGO) has made a finding of injustice in respect of a lack of repairs undertaken to a garage site.
14. CANVASS REFORM (Pages 121 - 124)  
To inform members of the new arrangements which will be introduced this year for carrying out the annual canvass.
15. WORK PROGRAMME (Pages 125 - 126)  
To consider items for inclusion in the Work Programme for future meetings.

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## **GOVERNANCE, AUDIT AND STANDARDS COMMITTEE**

**MONDAY, 2 DECEMBER 2019**

Present: Councillor E Williamson, Chair

Councillors: S A Bagshaw  
S J Carr (substitute)  
E Cubley  
M Handley  
H G Khaled MBE  
J M Owen  
J P T Parker  
M Radulovic MBE  
P D Simpson  
I L Tyler

Apologies for absence were received from Councillors R H Darby, M Hannah and D K Watts.

29 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

30 **MINUTES**

The minutes of the meeting held on 23 September 2019 were confirmed and signed as a correct record.

31 **CIPFA STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT**

The Committee noted the updated CIPFA Statement on the Role of the Head of Internal Audit in public service organisations.

32 **INTERNAL AUDIT PROGRESS REPORT**

The Committee were informed of the recent work completed by Internal Audit.

33 **REVIEW OF STRATEGIC RISK REGISTER**

The Committee considered the amendments to the Strategic Risk Register and the action plans identified to mitigate risks. The Committee requested that further information be provided at a future meeting in regards to managing climate change and its associated risks.

**RESOLVED** that the amendments to the Strategic Risk Register and the actions to mitigate risks as set out in appendix 2 be approved.

34 WORK PROGRAMME

The Committee considered the Work Programme.

**RESOLVED** that the Work Programme be approved, subject to the inclusion of further reports on Governance Arrangements and progress made against Major Contracts.

30 April 2020

By email

**Email** [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Dear Section 151 Officer and Audit Committee Chair

## **Fee Scale for the Audit 2020/21 and update on 2019/20**

I am writing to notify you of your 2020/21 audit scale fee. In previous years your auditor has been required to write to you to do this. However, going forward, we have agreed with the audit firms that it is more efficient for PSAA to write out to all bodies directly.

PSAA commissions auditors to provide audits that are compliant with the National Audit Office's Code of Audit Practice ('the Code'). PSAA is required by s16 of the Local Audit (Appointing Person) Regulations 2015 (the Regulations) to set the scale fees by the start of the financial year, and we published the 2020/21 scale fees on our website on 31 March 2020. In addition to notifying you directly of your scale fee, this letter provides you with key updates and information on audit matters in these difficult times.

We wrote to all S151 officers on 12 December 2019 describing that local audit and audit more widely is subject to a great deal of turbulence with significant pressures on fees. These pressures still apply and the key aspects are summarised below;

- It is apparent that the well publicised challenges facing the auditing profession following a number of significant financial failures in the private sector have played a part. As you know, these high profile events have led the Government to commission three separate reviews - Sir John Kingman has reviewed audit regulation, the Competition and Markets Authority has reviewed the audit market, and Sir Donald Brydon has reviewed the audit product.

- It is not yet clear what the long term implications of these reviews will be. However, the immediate impact is clear - significantly greater pressure on firms to deliver higher quality audits by requiring auditors to demonstrate greater professional scepticism when carrying out their work across all sectors – and this includes local audit. This has resulted in auditors needing to exercise greater challenge to the areas where management makes judgements or relies upon advisers, for example, in relation to estimates and related assumptions within the accounts. As a result, audit firms have updated their work programmes and reinforced their internal processes and will continue to do so to enable them to meet the current expectations.

## How we set your scale fee

We consulted on the 2020/21 Scale of Fees in early 2020 and received a total of 54 responses. We published the final document on our website ([Scale fee document](#)). In it we explained that although we have set the scale audit fee at the same level as for 2019/20, we do not expect the final audit fee to remain at that level for most if not all bodies because of a variety of change factors, the impact of which cannot be accurately or reliably estimated at this stage.

The impact of these changes is likely to vary between bodies depending on local circumstances, and information to determine that impact with any certainty is not yet available. Our view is that it would also be inappropriate to apply a standard increase to all authorities given the differing impact of these changes between bodies. As the impact of these changes is understood, fee variations will need to be identified and agreed reflecting the impact on each audit

	<b>Scale fee for the audit 2020/21</b>	<b>Scale fee for the audit 2019/20</b>
Broxtowe Borough Council	£35,807	£35,807

As well as the Scale of Fees document, we have also produced a [Q&A](#) which provides detailed responses to the questions raised as part of the consultation. We will update the Q&As periodically to take account of ongoing developments affecting scale fees.

The fee for the audit is based on certain assumptions and expectations which are set out in the [Statement of Responsibilities](#). This statement serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and of the audited body begin and end, and what is to be expected of both in certain areas.



The final fee for the audit will reflect the risk-based approach to audit planning as set out in the Code. Under the Code, auditors tailor their work to reflect local circumstances and their assessment of audit risk. This is achieved by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering any changes affecting audit responsibilities or financial reporting standards.

## **Fee Variations**

As noted above, we recognise that with so much turbulence and change in the local audit environment, additional fee variations are likely to arise for most if not all bodies.

The amount of work required on arrangements to secure VFM is a matter of auditor judgement and is based on the requirements set out in the new Code and supporting guidance which will be published later in 2020. Once the Auditor Guidance Notes have been published we will be able to consider the impact of the new requirements in more depth, and may be able to provide indicative ranges in relation to the likely fee implications for different types and classes of body.

Given that local circumstances at each audited body are key to determining the assessment of risk and the audit work required, we would encourage early dialogue with your auditor to determine any related implications for fees. The process for agreeing fee variations begins with local communication, and ideally agreement. We have produced a fee variation process note which is available on our website ([Fee variations process](#)). Please note that all fee variations are required to be approved by PSAA before they can be invoiced.

## **Quality of Audit Services**

We are committed to do all we can to ensure good quality audits and a high-quality service for the bodies that have opted into our arrangements. The service that you can expect to receive from your auditors is set out in their Method Statement, which is available from your auditors.

Whilst professional regulation and contractual compliance are important components of the arrangements for a quality audit service, so too is the aspect of relationship management. We recently commissioned a survey via the LGA Research team to obtain audited bodies' views of the audit service provided to them. The themes and improvement areas from the survey will be discussed with firm contact partners for development at a local level. The results from our 2018/19 survey of all opted-in bodies will be available on our website in May and we will notify all S151 officers and Audit Committee Chairs.

## **Impact of COVID-19 on current 2019/20 audits**

The global COVID-19 pandemic has created further turbulence impacting on all aspects of the economy including the public sector. There are potentially significant repercussions for the delivery of audits, audit-related issues and delays to signing audit opinions for 2019/20. MHCLG has acted to ease these pressures by providing more flexibility in the 2019/20 accounts preparation and auditing timetable by temporarily revising the Accounts and Audit Regulations. This has extended the period which an authority has to publish its draft financial statements until 31 August, and importantly there is much greater flexibility for the public inspection period as it is now required to start on or before the first working day of September 2020. The revised date for publishing audited accounts (if available) is 30 November 2020.

We recommend that you discuss with your auditors the use that can be made of this flexibility in meeting mutual governance and assurance responsibilities, noting that in a letter to all local authority Chief Executives on 22 April, MHCLG encouraged approval of pre-audit accounts earlier than 31 August if possible.

We have referred to the importance of audit quality in this letter, and just as important is the quality of the pre-audit financial statements and the working papers that are prepared by bodies. The disruption caused by COVID-19 will impact on areas of judgement and creates uncertainty in preparation of the financial statements, and it is key that bodies ensure there is sufficient focus upon financial reporting and related processes and controls, and that the planned timetable allows for sufficient internal quality assurance and review of financial reporting issues taking into account the wider impact of the pandemic on the officers' time.

### **Local Audit Quality Forum**

Our Local Audit Quality Forum focuses on providing information to support audit committees (or equivalent) in delivering their remit effectively. We are disappointed that we are not able to host our planned event this summer due to the COVID-19 pandemic. However, we plan to host our next event towards the end of the year. It will provide an opportunity to discuss a range of relevant topics and themes. If there are any particular areas you would like to see included on a future agenda, or if you wish to raise any other issues with PSAA, please feel free to contact us at [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk)

Your auditor will, of course, be best placed to answer any questions you may have with regard to your audit.

Yours sincerely,

Tony Crawley

**Chief Executive**

**Report of the Deputy Chief Executive**

<b>ACCOUNTS AND AUDIT (CORONAVIRUS) (AMENDMENT) REGULATIONS 2020</b>
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**1 Purpose of Report**

To outline amendments to the Accounts and Audit Regulations (2015) introduced following the coronavirus outbreak and set out how the Council intends to comply with these when producing the Statement of Accounts 2019/20.

**2 Background**

The Accounts and Audit Regulations (2015) set out the timescales for the production of the Council's accounts, including the dates of the public inspection period. Following the coronavirus outbreak and in response to the pressures this has placed upon finance teams and external auditors in the production of the 2019/20 accounts, the Accounts and Audit (Coronavirus) (Amendment) Regulations were approved on 7 April 2020 and came into effect on 30 April 2020. The most significant changes are as follows:

- The draft 2019/20 accounts must be approved and presented to the external auditors for review by 31 August 2020 at the latest (instead of 31 May 2020) though they may be approved earlier if possible.
- The requirement for the public inspection period to include the first 10 working days of June has been removed. Instead, the public inspection period must commence on or before the first working day of September 2020.
- The publication date for the final, audited, 2019/20 accounts will move from 31 July 2020 to 30 November 2020.

The Council's Accounts Closedown Timetable 2019/20 has been reviewed in response to the demands placed upon Finance Services and other Council staff involved in the final accounts production process at the present time and it is anticipated that the draft 2019/20 accounts will be approved and presented to the external auditors (Mazars) by 30 June 2020.

Dependent upon the availability of Mazars' staff and the successful resolution of any issues identified by the external auditors, it is envisaged that the final, audited 2019/20 accounts will be presented for approval to the Governance, Audit and Standards Committee on 21 September 2020.

Details of the changes to the public inspection period have been placed on the Council's website and will be amended to provide the exact dates once these have been confirmed.

<b><u>Recommendation</u></b>
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<b>The Committee is asked to NOTE the report.</b>
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**Background papers**

Nil

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**Audit Strategy Memorandum**  
Broxtowe Borough Council  
Year ending 31 March 2020





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

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

Appendix C – Mazars' client service commitment

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



Governance, Audit and Standards Committee Members  
Broxtowe Borough Council,  
Town Hall,  
Foster Avenue  
Beeston  
Nottingham  
NG9 1AB

March 2020

Dear Sirs / Madams

### **Audit Strategy Memorandum – Year ending 31 March 2020**

We are pleased to present our Audit Strategy Memorandum for Broxtowe Borough Council for the year ending 31 March 2020.

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

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

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

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

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

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 07875 974291.

Yours faithfully



**Mark Surridge**  
Mazars LLP

# 1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

## Overview of engagement

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

## Our responsibilities

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

**Audit opinion**

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

**Reporting to the NAO**

We are required to issue an assurance statement to the National Audit Office confirming the income, expenditure, asset and liabilities of the Council.

**Value for Money**

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

**Electors' rights**

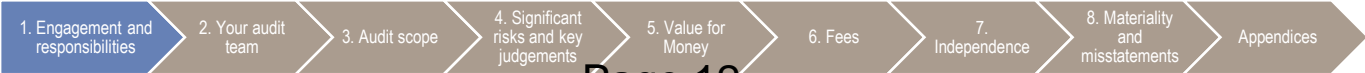
The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

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

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

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

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





## 2. YOUR AUDIT ENGAGEMENT TEAM



**Mark Surridge**  
**Director and Engagement Lead**

E-Mail: mark.surridge@mazars.co.uk  
Tel: 07875 974291



**Anita Pipes**  
**Manager**

E-Mail: anita.pipes@mazars.co.uk  
Tel: 07919 395251

### 3. AUDIT SCOPE, APPROACH AND TIMELINE

#### Audit scope

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

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

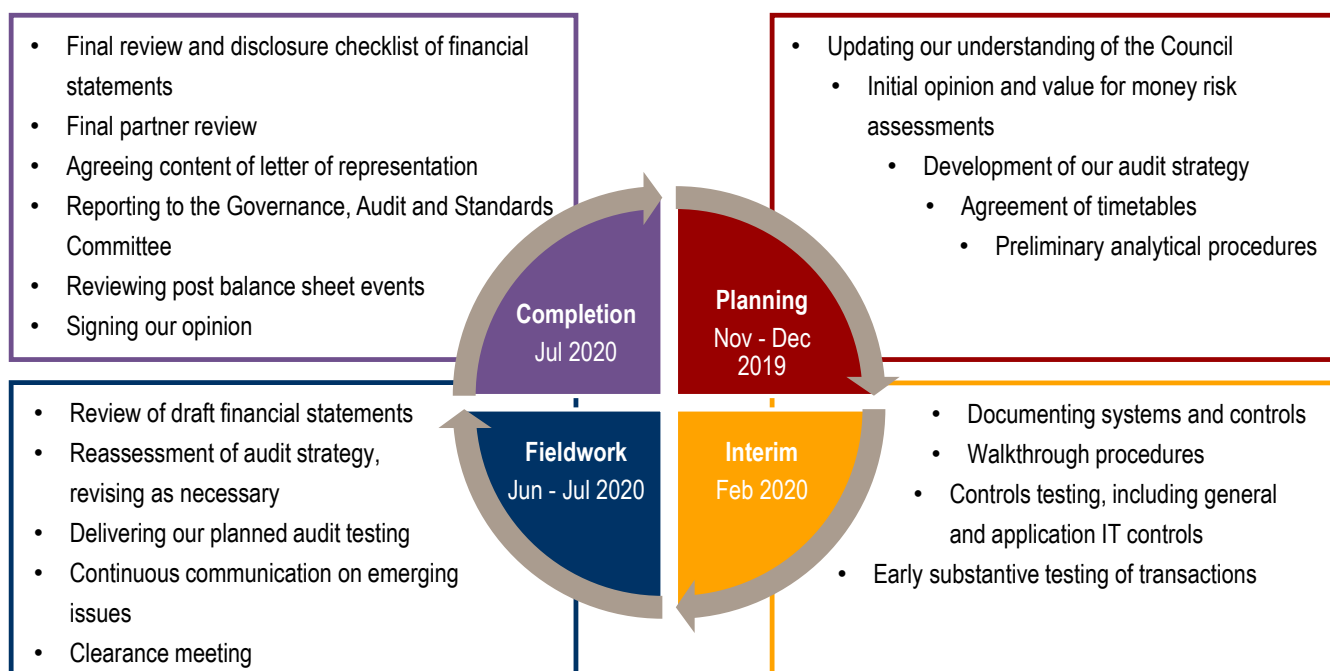
#### Audit approach

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

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

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

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



### 3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

**Reliance on internal audit**

We do not plan to rely on the work of internal audit.

**Group Scope**

The Council has obtained an exemption from audit for Liberty Leisure, which forms part of the Council's group accounts. The subsidiary is judged to be out of audit scope, but we will perform certain procedures to inform our view on the group accounts.

**Management's and our experts**

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

Items of account	Management's expert	Our expert
Defined benefit liability	Barnett Waddingham <i>Actuary for Nottinghamshire Pension Fund</i>	PWC <i>Consulting actuary appointed by the NAO</i>
Property, plant and equipment valuation	M Kirk (MRICS) <i>The Council's internal valuer</i>	Not applicable
Financial instrument disclosures	Arlingclose <i>Treasury management advisors</i>	Not applicable

**Service organisations**

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

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

# 4. AUDIT RISKS AND KEY JUDGEMENT AREAS

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

- Significant risk**

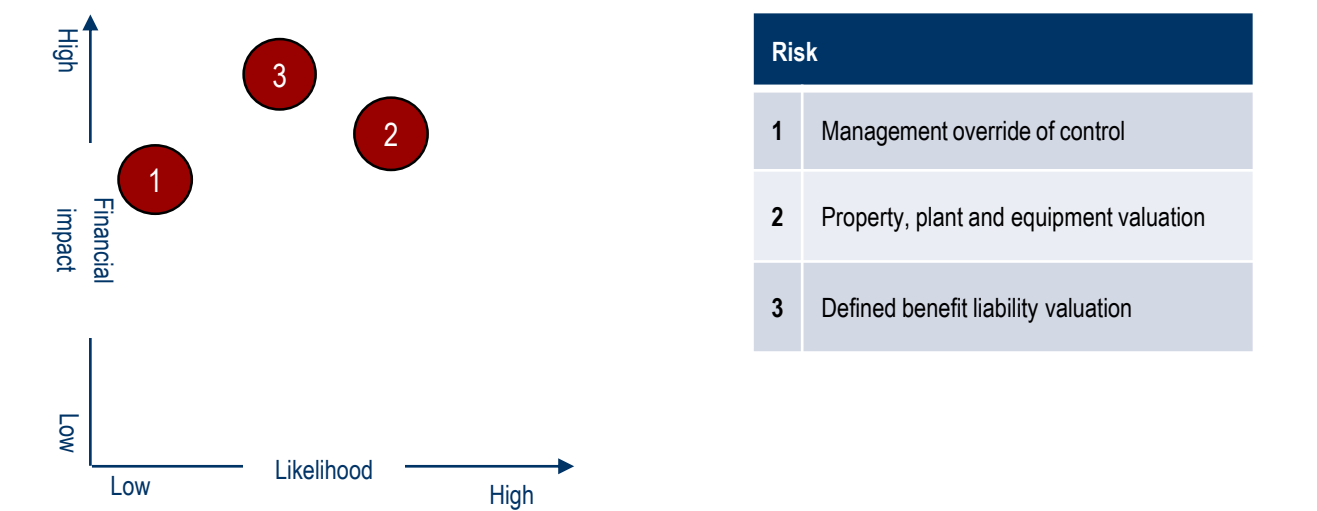
A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.
- Enhanced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

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:
  - key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
  - other audit assertion risks arising from significant events or transactions that occurred during the period.
- Standard risk**

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

The summary risk assessment, illustrated in the tables below, highlight those risks which we deem to be significant or enhanced. We have summarised our audit response to these risks over the next pages.

At the time of writing this memorandum we are yet to complete our detailed risk assessment work over the Council’s key financial systems and general IT controls. We will update the Governance, Audit and Standards Committee where we subsequently identify any additional risks.



## 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

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

### Significant risks

	Description of risk	Planned response
1	<b>Management override of controls</b>  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.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual. We will use a computer audit analytical technique (CAAT) to efficiently identify journals with risk characteristics and test 100% of such adjustments to the financial ledger.
2	<b>Valuation of land and buildings, investment properties (where material) and assets held for sale (where material)</b>  The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's Property, Plant and Equipment that is held at a valuation.  The Council uses an internal valuation expert to provide information on valuations because there is a high degree of estimation uncertainty caused by significant judgements and number of variables involved in providing valuations. We have therefore identified the valuation of material balances of land and buildings, investment properties (if material) and assets held for sale (if material) to be an area of significant audit risk.	We will consider the Council's arrangements for ensuring that PPE values are reasonable and will assess whether valuation movements are in line with market expectations using available indices where appropriate. We will also assess the competence, skills and experience of the valuer.  We will test a sample of revaluations in year to valuation reports and supporting calculation sheets to ensure these are consistent with underlying source records (such as floor plans) in addition to challenging the methods and assumptions used by the valuer. Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.  In addition, we will assess the approach that the Council adopts to ensure that assets not subject to revaluation in 2019/20 are materially correct, including considering the robustness of that approach in light of the valuation information reported by the Council's valuer.

## 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

### Significant risks (continued)

	Description of risk	Planned response
3	<p><b>Valuation of net defined benefit liability</b></p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. Moreover, in 2019/20 the local government pension assets and liabilities are subject to triennial revaluation, which will set the contribution rates for 2020/21 onwards. This results in an increased risk of material misstatement.</p>	<p>In relation to the valuation of the Council's defined benefit pension liability in addition to our standard programme of work in this area we will:</p> <ul style="list-style-type: none"> <li>• review the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PwC, the consulting actuary engaged by the National Audit Office;</li> <li>• agree the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements;</li> <li>• critically assess the competency, objectivity and independence of the Nottinghamshire Pension Fund's Actuary, Barnett Waddingham; and</li> <li>• liaise with the auditors of the Nottinghamshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS 19 valuation is complete and accurate.</li> </ul>

# 4. AUDIT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

## Consideration of other mandatory risks

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

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

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

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

# 5. VALUE FOR MONEY

## Our approach to Value for Money

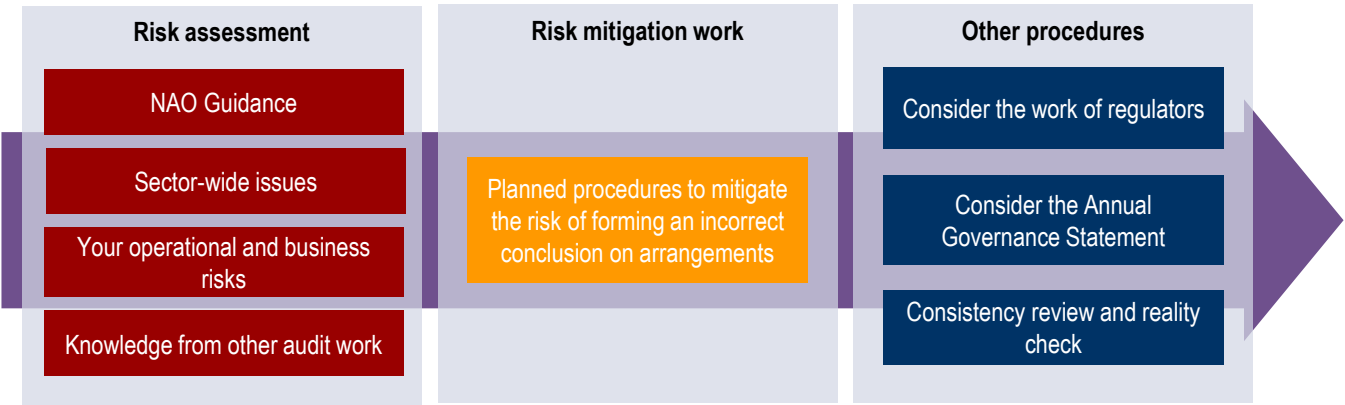
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

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



## Significant risks

The NAO’s guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2019/20 financial year, we have identified a significant VFM risk in relation to financial resilience, as described on the following page.

We will continually assess whether any matters come to our attention through the course of our audit that lead us to conclude that a further risk to our VFM conclusion does exist and where any such risk is identified, these will be reported to the Governance, Audit and Standards Committee as part of our Audit Completion Report.



## 5. VALUE FOR MONEY (CONTINUED)

### Significant risks (continued)

For the 2019/20 financial year, we have identified the following significant risk to our VFM work:

Description of significant risk	Planned response
<p><b>Financial Resilience</b></p> <p>The continual pressures on Local Government finances are well documented and led to another challenging budget setting process for 2019/20. In order to set a balanced budget a funding gap of £0.615m was met from General Fund reserves and this was approved by the Council in February 2019.</p> <p>The latest forecast shows that the Council is now anticipating withdrawing £1.269m from balances in 2019/20 as opposed to the initial £0.615m as shown above. This is due to the effect of budget carry forwards from 2018/19 of £0.327m plus other changes approved by the Policy and Performance and Finance and Resources Committees. Moving forward there will be continuing pressure on the Council's General Fund reserve to plug each years' budget deficit. The Council's 2020/21 budget papers show that the General Fund reserve is expected to fall from £6.048m at 1 April 2019 to 3.876 at 31 March 2021.</p> <p>The Medium Term Financial Strategy (MTFS) which projects the Council's position up to 2023/24 based upon a series of assumptions shows that the General Fund reserve will continue to be utilised each year and fall below the minimum balance required of £1.5m in 2022/23 before becoming negative in 2023/24. This pressure upon the General Fund places the Council at increased risk should any adverse unknown or unexpected events occur.</p> <p>There will be significant changes in local government finances over the next few years, which will culminate in a major change in the way local government is financed from 2021/22 onwards. These include the anticipated Comprehensive Spending Review 2020, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50%). As the funding from 2021/22 onwards is unclear at this stage, the need for savings (or income generation) will continue to have a significant impact on the Council's financial resilience and reduce the burden on the need to utilise reserves to balance any deficits in the budget</p>	<p>We will consider whether the Council has arrangements in place to secure its financial resilience, specifically:</p> <ul style="list-style-type: none"> <li>That the MTFP has been updated to reflect known changes in funding, spending plans and the impact on Useable Reserves.</li> <li>That the MTFP includes sensitivity analysis given the degree of variability and uncertainty in funding.</li> <li>How and whether the Council has delivered planned savings in 2019/20.</li> <li>Whether sufficient progress has been made to identify savings for 2020 onwards.</li> </ul>

## 6. FEES FOR AUDIT AND OTHER SERVICE

### Fees for work as the Council's appointed auditor

At this stage of the audit we expect to need to reflect the scale fee set by PSAA as communicated in our fee letter of 24 April 2019 and other matters listed below:

Service	2018/19 fee (plus VAT)	2019/20 fee (plus VAT)
Code audit work – scale fee	£35,807	£ 35,807
Additional work undertaken following changes to pension liabilities to take account of the McCloud/GMP adjustment.  These additional fees were reported in our 2018/19 Audit Completion report which went to the Governance, Audit and Standards Committee meeting in September 2019.	£750	
Additional work to audit the transactions of the subsidiary company Liberty Leisure Limited.	£3,500	£3,500
Additional work in response to regulatory recommendations to increase level of audit work on defined benefit liability schemes.	£0	To be confirmed*
Additional work in response to regulatory recommendations to increase level of audit work on the valuation of property plant and equipment.	£0	To be confirmed*
<b>Total</b>	<b>£40,057</b>	<b>To be confirmed</b>

\* Subject to agreement with the Authority and approval by PSAA

### Additional Work:

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

### Regulatory recommendations

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

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

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

### Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work on the transactions of the subsidiary Liberty Leisure at a fee of £3,500 plus VAT as set out in the table above. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Should the Council or entities within the Council's group wish us to undertake any other additional work, before agreeing to this we will consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

## 7. OUR COMMITMENT TO INDEPENDENCE

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

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

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

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

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

Prior to the provision of any non-audit services Mark Surridge will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

## 8. MATERIALITY AND MISSTATEMENTS

### Summary of initial materiality thresholds

Threshold	Group Materiality	Single Entity Materiality
Overall materiality	£1,332,000	£1,213,000
Performance materiality	£999,000	£910,000
Trivial threshold for errors to be reported to the Governance, Audit and Standards Committee	£40,000	£36,000

### Materiality

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

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

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

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

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

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

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

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

Our provisional materiality is set at 2% using the benchmark of 2018/19 total gross expenditure at the surplus / deficit level. We have calculated a headline figure for materiality but have also identified separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Governance, Audit and Standards Committee.

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

## 8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We have set our materiality threshold at 2% of the benchmark based on the 2018/19 audited financial statements.

Based on the 2018/19 audited financial statements we anticipate the overall materiality for the year ending 31 March 2020 to be in the region of £1,332,000 for the audit of the Group financial statements and £1,213,000 for the audit of the Council's single entity financial statements.

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

### Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. We have set our performance materiality at 75% (increased from 65% last year) of our overall materiality being £999,000 for the Group and £910,000 for the Council's financial statements.

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

### Specific items of lower materiality

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We have set specific materiality for the following items of account. After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Item of account	Specific materiality
Officers' remuneration	£5,000 *
Members' allowances and expenses	£44,000
External audit costs	£8,000

### Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Governance, Audit and Standards Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £40,000 for the Group and £36,000 for the Council single entity financial statements based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Surridge.

### Reporting to the Governance, Audit and Standards Committee

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

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

# APPENDIX A – KEY COMMUNICATION POINTS

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

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

# APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

## Financial reporting changes relevant to 2019/20

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

## Financial reporting changes in future years

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

## Forthcoming audit changes

Matter	Year of application	Commentary
Value for Money Conclusion	2020/21	<p>The National Audit Office (NAO) has published the final draft of the new Code of Audit Practice 2020, confirming more robust narrative reporting requirement.</p> <p>The new Code comes into effect from April 2020 and will apply to the Council's 2020/21 financial year.</p> <p>There a number of changes to the Code, the most noticeable being the introduction of external audit commentary on a local authority's overall arrangements in securing value for money, with a focus on financial sustainability, governance, and improving value for money.</p>

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**Joint report of the Chief Executive and the Deputy Chief Executive**

<b>CORPORATE GOVERNANCE ARRANGEMENTS</b>
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**1. Purpose of report**

To inform the Committee of action taken to develop and comply with statutory obligations regarding corporate governance and to seek approval of the Annual Governance Statement for inclusion in the Council's published Statement of Accounts for 2019/20.

**2. Background**

The Accounts and Audit Regulations 2015 require authorities to conduct a review, at least once in each financial year, of the effectiveness of its system of internal control and to include an Annual Governance Statement report on the review with its statement of accounts. To support this process, the Council follows proper practice as set out in the CIPFA/SOLACE publication *Delivering Good Governance in Local Government: Framework*. This Framework was initially produced in 2007 with a revised version published in April 2016. More detail about the framework and what it encompasses is given in appendix 1.

Under the Council's Constitution, this Committee is responsible for overseeing the maintenance of the internal control environment and for monitoring and making recommendations regarding the corporate governance arrangements. Appendix 2 sets out the actions the Council has taken during 2019/20 to advance the principles of the Code.

Appendix 3 provides an explanation of the Council's governance arrangements, and an update on the implementation of previously identified improvement actions. It concludes with the draft Annual Governance Statement and the Significant Governance Issues Action Plan for 2020/21. Once approved, it will be signed by the Leader of the Council and the Chief Executive prior to inclusion within the published accounts. The Chief Audit and Control Officer has confirmed that he considers that the current internal control environment is satisfactory such as to maintain the adequacy of the governance framework.

<b><u>Recommendation</u></b>
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**The Committee is asked to:**

- |  |
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| <ol style="list-style-type: none"> <li><b>1. RESOLVE that the draft Annual Governance Statement as shown in appendix 3 be approved in principle for inclusion in the Council's Statement of Accounts.</b></li> <li><b>2. RESOLVE that responsibility be delegated to the Chief Executive and the Chair of this Committee to make any further amendments deemed necessary.</b></li> <li><b>3. NOTE compliance with the Code on Delivering Good Governance in Local Government.</b></li> </ol> |
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Background papers - Nil

**APPENDIX 1**Background

The CIPFA/SOLACE document *Delivering Good Governance in Local Government: Framework* was published in 2007. In 2012 it was given 'proper practices' status by the Department for Communities and Local Government. Local authorities are under a statutory obligation to follow the published approach unless there are valid reasons for not doing so.

The Framework has since been reviewed and in April 2016 was published with a new set of core principles and sub-principles. There are seven core principles which have been developed to bring them more in line with the principles of open government and to establish a greater focus on outcomes, rather than processes. Each is accompanied by numerous sub-principles which provide a very comprehensive set of arrangements for ensuring that good governance exists within the organisation and is embedded in its day-to-day operations.

The seven core principles and an explanation of the intention behind each one are as follows:

**A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

**B. Ensuring openness and comprehensive stakeholder engagement**

Local government is run for the public good. Organisations should therefore ensure openness in their activities.

Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

**C. Defining outcomes in terms of sustainable economic, social and environmental benefits**

The long-term nature and impact of many of local government's responsibilities mean that it should define and plan outcomes and that these should be sustainable.

Decisions should further the organisation's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

**D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved.

They need robust decision making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations.

Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

**E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods.

A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole.

Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

**F. Managing risks and performance through robust internal control and strong public financial management**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services.

Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically; it requires repeated public commitment from those in authority.

**G. Implementing good practices in transparency, reporting and audit to deliver effective accountability**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

## APPENDIX 2

The Council's governance arrangements are consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government (2016 edition)*. This Statement explains how the Council has complied with these arrangements and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1), which requires all relevant bodies to prepare an Annual Governance Statement.

A summary of how we meet with each of the seven core principles, including evidence of the principle in action, and where improvement action or new steps have been taken in 2019/20 is provided below:

**A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law**

How we meet the principle	Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20
Member and officer Codes of Conduct set standards of behaviour for officers and members. These require adherence to the Nolan Principles. The Council's values are consistent with the Nolan Principles and are embodied in its Corporate Plan. The Policy and Performance Committee on 6 February 2018 approved a new officer code of conduct	<p><u>Officer code of conduct</u>: An online training course based on the officer code of conduct was developed and it is now compulsory for all employees to complete an online training course on this each year.</p> <p><u>Member code of conduct</u>: As part of the induction of new Council members a training course on the code of conduct was conducted.</p> <p><u>Corporate values</u>: The new corporate plan has re-articulated the values. As part of new ways of working, values have been inscribed onto the walls of council offices. Employees exemplifying "living out the values" are celebrated in monthly team briefings.</p> <p><u>Induction</u>: As part of new starter induction procedures all new starters meet with GMT when the values of the Council are discussed.</p>
The Constitution contains a protocol for member and officer relationships.	A series of ethical workshops were incorporated into SMT meetings. Three sessions focusing on ethics were included in SMT meetings in 2019/20.
The Council collects data relating to its workforce and reviews this through the annual workforce profile to identify any inequity, unfairness or prejudice in recruitment procedures or the operation of other HR practices.	The Workforce Profile (the latest completed profile 2018/19) was reviewed by the General Management Team and reported to Personnel committee. As required by law Broxtowe published information regarding its gender pay gap.
The Council holds members to	Six Code of Conduct complaints against members

How we meet the principle	Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20
<p>account for their behaviour by addressing allegations of breaches of the member code of conduct</p> <p>An independent person has been appointed to deal with standards issues that arise.</p>	<p>were dealt with. None involved allegations of fraud or corruption. Three proceeded to formal investigation.</p> <p>There were seven Code of Conduct complaints made against Parish Councillors.</p>
<p>The Complaints procedure. Complaints present an opportunity for improvement and can identify systemic or behavioural failings which need to be addressed</p>	<p>The complaints procedure is on the Council website.</p> <p>An annual complaints report is presented to the Governance Audit and Standards Committee. The report provides details, in particular, of those complaints that are referred to the Ombudsman and where improvements to systems and processes have been made as a result of complaints. Any complaints where a financial settlement is appropriate, or has been made, are also reported in detail to this Committee.</p> <p>Through its annual equality and diversity report to Policy Committee, (last one 4 December 2019) members review whether there may be any inequality or unfairness indicated/apparent through the protected characteristics of complaints. The report explains in detail the actions taken to promote equality and diversity</p>
<p>The Council holds employees to account in respect of their conduct and behaviour. The number of disciplinary, grievance and whistleblowing complaints dealt with is set out in the annual workforce profile</p> <p><u>Whistleblowing Policy and Disciplinary Policy, Policy and Performance Committee 21 November 2017</u></p> <p>Grievance Policy, Bullying and Harassment Policy, Personal Relationships Policy and Stress</p>	<p>During 2019/20 in relation to employees there were:</p> <ul style="list-style-type: none"> <li>• No whistleblowing complaints</li> <li>• Six grievances (nine employees)</li> <li>• Six disciplinary hearings (resulting in one first warning; four final warning; and one dismissal)</li> <li>• One capability process.</li> </ul> <p>A <u>People Strategy</u> was adopted by December's Policy and Performance committee in 2018. Work has commenced on developing a new Organisational Development Strategy. A bid to the LGA for workforce development support has been accepted.</p> <p>An <u>Apprenticeship Strategy</u> was adopted by Policy and Performance committee in December 2018</p> <p>The Personnel Committee in September 2019 approved amendments to the following:</p> <ul style="list-style-type: none"> <li>• The Whistleblowing Policy</li> </ul>

How we meet the principle	Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20
<p>Management Policy - <u>Policy and Performance Committee 3 October 2017</u></p> <p><u>Protocol for handling anonymous communications</u></p>	<ul style="list-style-type: none"> <li>• Employee code of conduct</li> <li>• Attendance management policy</li> <li>• Leave scheme</li> <li>• Domestic abuse policy</li> </ul> <p>The Personnel committee also agreed to sign up to the “Dying to Work” scheme – benefitting all employees diagnosed with a terminal illness, and approved a menopause in the workplace policy.</p> <p>A new Learning and Development Policy was adopted by Personnel Committee in September 2019.</p>
<p>Every employee has an annual appraisal which leads to a learning plan for the coming year.</p>	<p>The online employee appraisal scheme continued to operate during 2019/20. The deadline for completion of appraisals has been slightly extended to mid-May due to the interruption of the pandemic.</p>

### Opportunities for further improvement

1. A new Organisational Development Strategy will be completed in 2020/21.
2. An LGA Peer Review will be completed in 2020/21

### B. Ensuring openness and comprehensive stakeholder engagement

How we meet the principle	Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20
<p>The Council has a variety of means through which it seeks to engage and inform employees. Mechanisms include section team meetings, senior management meetings, email bulletins and the Employee Forum.</p> <p>There are also internal working groups on which there is cross departmental representation</p>	<p>Monthly Senior Management Team briefings.</p> <p>Equality Working Group met quarterly</p> <p>Broxtowe Employee News bulletin was sent out regularly.</p> <p>During the pandemic daily employee bulletins have been sent out.</p> <p>A New Ways of Working “Champions” group comprising employees throughout the authority also met during 2019/20.</p> <p>An LJCC committee comprising Councillors, trade union reps and managers met to discuss HR related</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20
	<p>policies before recommending them to Policy and Performance committee.</p> <p>During 2019/20 an employee survey took place. The results will be reported to the next Personnel Committee.</p>
Residents are regularly updated on new consultations through our website as well as press releases	<p>The Council has a webpage dedicated to consultations and resident engagement.</p> <p>The major consultation exercises taking place in 2019/20 included: -</p> <ul style="list-style-type: none"> <li>• Budget consultation 2020/21</li> <li>• Corporate plan 2020/24</li> <li>• Local Plan 2019</li> <li>• Toton and Chilwell Neighbourhood Plan</li> <li>• Neighbourhood strategy</li> <li>• Stapleford Towns Fund</li> <li>• Houses in Multiple Occupation Policy (Beeston)</li> <li>• Rent payment methods</li> </ul>
Regular tenant led Service review groups for Housing services.	The Housing committee have a resident involvement group and consult regularly on housing related subjects, reporting to the housing improvement groups, minutes of which are reported to the Housing committee.
Tenant engagement in significant reviews of Housing service delivery.	<p>Significant consultations involving tenants included</p> <ul style="list-style-type: none"> <li>• Housing repairs review</li> <li>• Neighbourhood strategy</li> <li>• Rent payment methods consultation</li> <li>• Mobility scooter review</li> <li>• Housebuilding strategy</li> </ul>
Engagement in relation to new strategy	In addition to those already mentioned there was consultation.
The Council encourages engagement annually on its expenditure through its annual budget survey	A budget consultation for budget 2020/21 was reported to the Finance and Resources Committee in January 2020. A total of 407 responses were received. In overall terms, local people are satisfied with the borough of Broxtowe and the Council's management of it. 75% of people are either 'satisfied' or very 'satisfied' with the area in which



<b>How we meet the principle</b>	<b>Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20</b>
	they live which is an increase on the 74% figure in the 2019/20 consultation. 64% are either 'satisfied' or 'very satisfied' with the way that the Council delivers services which is a significant increase on 2019/20 when 59% responded positively.
Disability Forum	<p>The Equality and Diversity annual report was presented to the Policy and Performance Committee in December 2019.</p> <p>Examples of engagement with and the influence of the Disability Forum were included in the annual Equality and Diversity Report</p>
Broxtowe Youth Voice has appointed a Youth Mayor and Deputy. The Council's constitution provides for these individuals to participate in Council meetings (but not vote). This ensures the voice of young people is heard by members.	The Youth Mayor regularly participated in Council meetings during 2019/20
Community Action Teams – The Council organises regular local meetings with the local community which are chaired by ward councillors. This is a means by which councillors keep in touch with local people and identify action which needs to be taken which they feed back to officers or committees	The Community Action Team page on the Council's website contains details and minutes of meetings which took place.
The Local Strategic Partnership is chaired by the Leader of the Council and is a mechanism through which leaders of the public and voluntary sector organisations in Broxtowe co-ordinate activity and identify strategic issues which need	<p>Meetings of Broxtowe Partnership took place in 2019/20. The format of meetings changed, so that in recent meetings there has been an in depth focus on homelessness and the most recent planned meeting is focusing on mental health. Meetings have been postponed during the pandemic.</p> <p>Task groups on health and older people, and children's services met regularly and progress on</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took action in relation to the principle in 2019/20
joint action	delivering agreed actions was monitored.
Development of Local Plan Part 2 and Neighbourhood Plans	<p>Extensive consultation took place in relation to the development of proposals to be included in the Local Plan Part 2 and the plan was duly adopted.</p> <p>The Council's Planning department supported the development of local Neighbourhood Plans.</p> <p>Referenda on plans have been deferred pending the pandemic.</p> <p>Progress on discussions to create a new development corporation in Nottinghamshire and Leicestershire have been reported to the Jobs and Economy committee</p>
Communication and Engagement Strategy	A Communication and Engagement Strategy was approved by Policy and Performance Committee on 4 July 2018 and has been implemented during the current year.

### Opportunities for further improvement

1. Conduct a budget consultation exercise with residents in 2020/21 for the budget 2021/22.
2. Engage and consult with the community regarding the future of Stapleford prior to the submission of a Towns Fund bid.
3. Consulting with tenants and the public on a new Housing Strategy.

### C. Defining outcomes in terms of sustainable economic, social and environmental benefits

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
<p>The Council's vision and priorities are set out in its Corporate Plan.</p> <p>Under the Corporate Plan there are business plans for each of the Corporate Plan priorities. The Business Plans set a small number of high level outcome targets; Critical Service Indicators (CSI). These are supported by Key Performance Indicators (KPI) and Management Performance Indicators (MPI). The latter are used by managers to inform day to day operational service delivery.</p>	<p>The Council has a newly approved corporate plan for 2020-24, which is available on the website.</p> <p>All the business plans in the middle column are approved annually and can be viewed on our website. These include</p> <ul style="list-style-type: none"> <li>• Housing business plan</li> <li>• Business Growth business plan</li> <li>• Community Safety business plan</li> <li>• Health business plan</li> <li>• Environment business plan</li> <li>• Liberty Leisure Ltd business plan</li> <li>• Bereavement Services business plan</li> <li>• Resources business plan</li> <li>• Revenues, Benefits and Customer Services business plan</li> <li>• ICT/Business Transformation business plan</li> </ul>
<p>Strategies – Each Corporate Plan priority is supported by a number of strategies which informs the strategic direction of the subject area and sets the framework within which annual business plan tasks and targets are set</p>	<p>The key strategies adopted in previous years and not already mentioned previously in this table are:</p> <ul style="list-style-type: none"> <li>• Housing Strategy 2015-2020</li> <li>• Green Infrastructure Strategy 2015-2030</li> <li>• Aligned Core Strategy 2014-2020</li> <li>• Waste Strategy 2016-2020</li> <li>• Playing Pitch Strategy 2016-2028</li> <li>• Draft Digital Strategy 2019-2023</li> <li>• Homelessness Strategy 2017-21</li> <li>• Broxtowe Play Strategy 2017-2020</li> <li>• Economic Regeneration Strategy 2017-21</li> <li>• ICT and Business Transformation Strategy 2017-2021</li> <li>• Commercial Strategy 2017-2020</li> <li>• HS2 Growth Strategy Sept 2017</li> <li>• Revenue Budget and Medium Term Financial Strategy for 2020/21, as well as Capital Strategy, Asset Management Strategy and Treasury Management and Investment Strategies.</li> </ul>
Progress on delivering business	Performance reporting to Policy and Performance

<b>How we meet the principle</b>	<b>Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20</b>
<p>plan targets, tasks and achievement of outcome indicators are regularly reported to councillors for scrutiny.</p> <p>An audit of data quality is conducted annually and all performance indicators are required to be signed off at senior management level to ensure that the quality of any data produced is of a sufficient standard</p>	<p>Committee focuses on Critical Service Indicators (CSI) and financial information indicating variances from the expected position. This takes place on a quarterly basis.</p>
<p>The Council's financial plans are based on a Medium Term Financial Strategy (MTFS) which identifies future budget pressures. This is revised annually as part of the budget setting process and is kept under review throughout the financial year</p>	<p>The Medium Term Financial Strategy was reviewed and revised by Finance and Resources Committee in January 2020.</p>
<p>The Council's annual Business Strategy has the following 4 objectives: that the Council should be</p> <ul style="list-style-type: none"> <li>• Lean and fit in its assets, systems and processes</li> <li>• Customer focused in all its activities</li> <li>• Commercially-minded and financially viable</li> <li>• Making the best use of technology.</li> </ul>	<p>The business strategy was revisited and revised in 2019/20 and approved by Finance and Resources Committee in January 2020.</p> <p>The Business Strategy identified potential efficiencies and income generation opportunities amounting to around £460,000 during 2019/20 to help balance the budget.</p> <p>Approximately £300,000 of these efficiencies and income generating opportunities were achieved in year.</p>
<p>Councillors keep oversight throughout the year regarding whether financial performance is in accordance with the agreed budget framework</p>	<p>Detailed reports to all service committees are produced at the year end to highlight financial variances from the expected position. This also happens in relation to capital plan monitoring</p>
<p>The Council has a strategic risk register which is regularly</p>	<p>The Council's approach to identifying and quantifying strategic risks was reviewed and</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
reviewed and reported to Governance, Audit and Standards Committee	improved during the previous year.

#### Opportunities for further improvement:

1. Review and amend the Council's Constitution (May 2020).
2. Continue to support the development of Neighbourhood Plans (March 2021).
3. Further update the Business Strategy in preparation for the 2021/22 budget round.
4. Complete a new Housing Strategy.
5. Complete a new Waste Strategy following the new Government strategy being published.
6. Complete a Vision and Action Plan for Stapleford.
7. Complete a new Carbon Reduction Plan.

#### D. Determining the interventions necessary to optimise the achievement of the intended outcomes

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
The Council takes time to analyse options in relation to major decisions	Examples of where the Council has taken time to consider options is in connection with the house building programme where the Council has reviewed a number of garage sites for the veterans' accommodation, and finally decided on Oakfield Rd in Stapleford. Similarly for Fishponds Cottages site, we have reviewed a number of options for housing (mix, tenure etc., removing cottage/retaining cottage) and arrived at the most beneficial solution.
The Council examines options for the future use of its assets in order to improve public value	Examples include <ul style="list-style-type: none"> <li>• Beeston Town centre regeneration: selection of construction partner</li> <li>• Beeston Town centre selection of residential</li> </ul>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
	<p>build partner</p> <ul style="list-style-type: none"> <li>• Stapleford Police Station: submission of bid to D2N2 to develop business hub following success of Beeston hub</li> <li>• Submission of bid to D2N2 for new business units at Mushroom Farm</li> </ul>
The Council considers the impact on customers when considering options to change patterns of service delivery	An example is the approach the council has taken to increasing methods of council house rent payment, and in relation to the use of former garage sites as land on which to build housing development.
The Council regularly revises and updates its proposals to achieve savings and generate additional income	The Business Strategy was updated in 2020 in preparation for the 2020/21 budget as was the Medium Term Financial Strategy.
The Council is pro-active in tackling areas of poorer performance	Examples include measures to increase staff capacity to tackle leaseholder matters and increasing capacity in private rented housing to address HMO issues. Measures were taken to improve performance in the Council's contact centre. A housing repairs review took place to improve the housing repairs service.
The Council has regard to external events and is pro-active in examining whether its arrangements respond to identified risks and threats	<p>A Grenfell Response officer working group is working to ensure issues arising from the Grenfell fire are managed proactively and effectively to ensure tenants are kept safe.</p> <p>The Council has played an active role in the local resilience forum to manage the pandemic risk.</p>
The Council is pro-active in identifying threats and risks to safety and works in partnership to mitigate these	Work within the South Nottinghamshire Community Safety partnership develops and implements action plans to tackle safety risks such as knife crime action plan; Stapleford Action plan; Eastwood Action plan. The Council took active measures to investigate and initiate measures to restrict House in Multiple Occupation in Beeston.
The Council works with outside experts as well as internal and external stakeholders to identify potential better ways of delivering services	<p>Examples where external experts have added value to our efforts in 2019/20 include:</p> <ul style="list-style-type: none"> <li>• Interim Housebuilding Manager</li> <li>• Project Manager Beeston Town centre Regeneration</li> <li>• Housing Stock condition survey</li> </ul>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
	<ul style="list-style-type: none"> <li>• Consultancy support to baseline Carbon emissions</li> </ul> <p>Examples of external working include</p> <ul style="list-style-type: none"> <li>• HS2 strategic board and associated groups</li> <li>• Bramcote Crematorium joint committee</li> <li>• Stapleford Towns Fund board</li> <li>• Broxtowe local strategic partnership</li> <li>• Greater Nottingham joint planning advisory board</li> <li>• South Nottinghamshire community safety partnership</li> <li>• Nottinghamshire economic prosperity committee</li> <li>• Nottinghamshire health and wellbeing board</li> <li>• Safer Notts Board</li> <li>• Notts Water Safety partnership</li> </ul>

### Opportunities for Further Improvement

1. Review the operation and financing of leisure in Broxtowe following the Covid-19 pandemic and Update the Leisure Facilities Strategy (June 2020).
2. Complete a new Asset Management Strategy.
3. Following the pandemic, develop a Recovery Plan.
4. Ensure the full implementation of a new Contract Management Framework
5. Improve aspects of financial administration including:
  - Improving the accuracy of the cash receipting system
  - Completion of the intelligent scanning invoice matching system
  - New system for appraisal of capital projects and prioritisation
  - Improve the bank reconciliation systems (ICON).

**E. Developing the entity's capacity including the capability of its leadership and the individuals within it**

<b>How we meet the principle</b>	<b>Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20</b>
The structure and cost of service delivery is continually reviewed.	In the year, structural reviews took place including Legal Services; Housing operations; Environment Services; Communications; Planning; Accountancy; Community development; and HR.
The Council enhances its capacity, increases resilience and broadens access to skills Through sharing a range of services with neighbouring authorities	The Council shares services with neighbouring authorities in relation to Building Control (Erewash); Burials and cremation (Erewash); NNDR recovery (Ashfield); CCTV (Newark & Sherwood/ Ashfield/Mansfield); Car parking enforcement (Rushcliffe); and accommodation for homeless people (Rushcliffe and Gedling).
As much as identifying ways of reducing expenditure the Council is also prepared to invest in additional capacity to respond to changing needs of residents/customers, enhance knowledge and insight and improve the quality and cost effectiveness of service delivery	Examples within structural reviews include <ul style="list-style-type: none"> <li>• Additional capacity for community engagement</li> <li>• Section 106 contributions officer</li> <li>• Additional legal capacity to respond to increased demand and additional activity on housing buy backs</li> </ul>
Business and financial performance is regularly scrutinised by all committees	See section C above for details
Service Committees consider a range of data including benchmarking data to assess the quality of Council services	The Council uses the online Grant Thornton benchmarking tool which gives a greater degree of granular information about service issues. The Housing Committee receive information on the results of Housemark benchmarking data. The Environment Services (waste and recycling, street cleansing; leisure and grounds maintenance) benefit from benchmarking through APSE.

**Opportunities for Further improvement**

1. Implement the agreed outcomes of the housing repairs review
2. Review the management structure in the light of changing service demands and economic realities.



**F. Managing risks and performance through robust internal control and strong public financial management**

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
<p>The Council integrates risk management approaches into its performance management arrangements</p>	<p>A Governance Risk and Compliance Action Plan was developed which integrates action planning arising from the need to improve governance (actions identified through the SOLACE/CIPFA review); risk management mitigation actions identified through the Strategic Risk Register and compliance with the law - both current and future.</p>
<p>The Council has a Strategic Risk Management Group that reports to GMT. The Governance, Audit and Standards Committee regularly consider and approve updates to the Strategic Risk Register.</p> <p>All key decision reports submitted to committees contain a risk assessment where appropriate, which is used to update the Strategic Risk Register. All action points within business plans are required to be risk assessed.</p> <p>The Governance, Audit and Standards Committee has oversight and decision making responsibility for determining:</p> <ul style="list-style-type: none"> <li>• Internal Audit Plan and progress made with the plan</li> <li>• implementation of audit recommendations</li> <li>• Strategic Risk Register</li> </ul> <p>Risk management training is occasionally provided. An eLearning module is available to enable members to access training on risk management whenever convenient to them.</p>	<p>The refreshed Risk Management Strategy was approved by the Governance, Audit and Standards Committee on 3 December 2018. Regular updates on strategic risks were presented to this Committee throughout 2019/20.</p> <p>The Strategic Risk Register is also a key element used in preparing the annual Internal Audit Plan. This helps to ensure that resources are targeted towards those areas which are the highest risk to the Council.</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
<p>Members of the Governance, Audit and Standards Committee can have independent access to the Chief Audit and Control Officer where considered to be necessary. The Chief Audit and Control Officer is satisfied that in all respects he has the necessary authority and resources to assess the Council's governance, risk and internal control environment and highlight any problems that he considers should be drawn to the attention of the Council</p>	<p>The results of an External Quality Assessment of the effectiveness of Internal Audit was considered by the Governance, Audit and Standards Committee in March 2018. This review was conducted by an experienced and independent assessor. The outcome of this review was positive and indicated that Council's Internal Audit service complies with the expectations of the Public Sector Internal Audit Standards. This provides the Council with confidence in the assurance work that is provided by Internal Audit. Furthermore, the outcome of the review was benchmarked against other providers in both the sector and the wider industry and this showed that the team compares favourably in comparison with its peers. Whilst the review did identify areas where improvements could be made, these were not felt to be fundamentally undermining the work of Internal Audit, its role within the organisation or the Chief Audit and Control Officer's ability to assess the Council's internal control environment.</p>
<p>The Safety Committee and Civil Contingencies Planning Group, chaired by the Chief Executive and comprising relevant senior officers, consider and develop plans to mitigate risks arising in workplace settings, or threats from flooding, major emergency events or risks to health</p>	<p>The internal Health and Safety committee and civil contingencies committees steer the council's implementation of key strategies including the Emergency Plan; Flu Pandemic Plan; and Flooding Response Plan.</p> <p>An annual health and safety report is presented to Committee. The Health and safety committee is currently considering a new policy and procedures for fire risk and fire risk assessment .</p>
<p>A corporate Business Continuity Plan seeks to mitigate the effects of a potential disruption to services so that the impact of such a disruption is minimised and services restored to an acceptable level within pre-set timescales. The Business Continuity Plan is reviewed by the Strategic Risk Management Group. Departmental business continuity plans also exist</p>	<p>Copies of departmental and Corporate Business Continuity Plans are available.</p> <p>As part of the Council's response to the coronavirus threat, business continuity plans were activated and updated to respond to these new risks. The Council has played a full part in the local resilience forum structures.</p>
<p>The Fraud and Corruption</p>	<p>The Fraud and Corruption Prevention Policy and</p>

<b>How we meet the principle</b>	<b>Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20</b>
<p>Prevention Policy Statement is that the Council takes a zero-tolerance approach to fraud and corruption.</p> <p>The Council is committed to establishing a strong anti-fraud/ corruption culture and will take all necessary steps to prevent, detect and punish fraudulent and corrupt acts. Any indications of potential benefits fraud are forwarded to SFIS for investigation.</p> <p>The Council has processes in place which help to identify and tackle fraud. An analysis of residual non-benefits related fraud investigation requirements was undertaken prior to the transfer which identified no substantial areas of immediate concern for the Council other than that which can normally be addressed as part of the work of Internal Audit</p>	<p>Money Laundering Prevention Policy were approved by the Governance, Audit and Standards Committee in March 2017. As part of the process, an annual report relating to fraud and corruption prevention activity is submitted to the Governance, Audit and Standards Committee, the latest being in July 2019. The delivery of the action plan will help to further strengthen the current arrangements in place.</p> <p>Data matching exercises are regularly undertaken in conjunction with the National Fraud Initiative (Cabinet Office). In addition a premium Single Person Discount review is currently taking place jointly across the Nottinghamshire authorities with the NFI. The results of these NFI exercises are used to shape future programmes of counter fraud activity.</p> <p>A more proactive approach has been undertaken by introducing the Fraud and Error Reduction Incentive Scheme (FERIS) approach and a risk-based assessment framework for benefits applications, including the Local Council Tax Support Scheme, for which the Council remains fully accountable.</p>
<p>Chief Officers are required to prepare an annual statement of compliance with internal control stating compliance with the law and approved policy</p>	<p>An annual Statement of Internal Control has been prepared by each Chief Officer</p>
<p>The Council has information governance arrangements in place including safe collection, storage, use and sharing of data. A suite of online information management products has been developed and are required to be completed by employees at various levels.</p>	<p>Comprehensive Information Management Policies (internal documents) are in place.</p> <p>The Council has a full time dedicated Information Governance Officer</p> <p>An online GDPR employee training product was developed, rolled out and completed by all employees.</p>
<p>The Council is proactive in tackling threats to performance</p>	<p>Reports are made regularly to the Finance and Resources Committee on the roll out of Universal</p>

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
(e.g. income management)	<p>Credit.</p> <p>A Universal Credit steering group, including partners such as the CAB, was set up to help prepare for the introduction of Universal Credit in November 2018.</p> <p>Following the pandemic outbreak, a recovery plan will be developed which will include actions to address the significant financial, social, business and health impacts of the pandemic on the Council's activities and the community as a whole.</p>
The Council welcomes external agencies to give us feedback on our performance and responds positively to suggestions for improvement	The council applied for and was successful in acquiring external LGA workforce development support through the LGA. Work is currently "paused" during the pandemic.

### Opportunities for Further Improvement

1. Develop a new Fire Safety Policy and risk assessment procedures and update fire risk assessments.
2. Following the pandemic, as soon as practically possibly, catch up with the backlog of housing repairs and gas safety checks.
3. Develop a flood risk assessment and response plan for Kimberley depot.

### G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
The Council complies with its obligation to produce a Publication Scheme	The Publication Scheme is on the Council's website and is regularly reviewed.
The Council publishes data in a transparent way which is accessible through the website	There is an open data section on the Council's website.
The Council reports annually on performance and financial stewardship through a	A review of the implementation of the last corporate plan was published on the website and included in Broxtowe matters, as well as updating residents on

How we meet the principle	Where you can see evidence of the principle in action and where we took improvement action in relation to the principle in 2019/20
newsletter which goes to every household in Broxtowe	the latest adopted corporate plan.
A Governance, Risk and Compliance Action Plan is produced which incorporates governance improvements identified as a result of the annual governance check	The status of the previously agreed action plan is outlined in appendix 3 below.
Internal Audit and External Auditor recommendations are acted upon	Reports are regularly made to Governance, Audit and Standards Committee on progress in implementing agreed actions following an Internal Audit.
The Council welcomes peer challenge and other forms of external review of service delivery	<p>The planned LGA peer review was due to take place in June 2020 but might be deferred because of coronavirus.</p> <p>A bid for LGA workforce planning support was successful and will help in developing a new organisational development strategy.</p>

### Opportunities for further improvement

1. Review and expand the open data section of the website.
- 2.
3. Develop a governance risk and reporting system for major projects to be reported to governance Audit and Standards Committee on a regular basis.

### Conclusion

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of senior managers within the organisation who have responsibility for the development and maintenance of the governance environment, the Chief Audit and Control Officer's annual report and also by comments made by the external auditors and other review agencies and inspectorates.

The operation of the Governance Framework during 2019/20 has provided the Council with **substantial assurance** that proper practices are in place governing the conduct of the Council's business. Additional improvement actions have been identified through the annual review of the standard and are included in the new Governance Risk and Compliance Action Plan.

Implementation of the governance related actions specified in the attached action plan will help to ensure that the Council's governance arrangements continue to improve and be fit for purpose in accordance with the governance framework.

**DRAFT ANNUAL GOVERNANCE STATEMENT**

## 1. What are the Council's Governance Arrangements?

1.1. Corporate Values

The Council's governance arrangements are reflected in our corporate values which are:

- Integrity and professional competence
- A strong caring focus on the needs of communities
- Continuous improvement and delivering value for money
- Valuing employees and enabling the active involvement of everyone
- Innovation and readiness for change.

1.2. Competency Framework and Employee Performance Appraisal

These values are consistent with the SOLACE/CIPFA governance code and act as the basis for the Council's competency framework and the assessment of individual employee performance appraisal.

1.3. The Constitution, Standing Orders and Delegated Authority

The Council's Constitution sets out the roles of members and officers and the terms of reference of the Council's committees. Officer's delegated powers to take decisions are set out in this document, as are the protocols and codes of conduct regulating the way employees and members should behave and relate to each other, and how debate is conducted at Council meetings. Limits of financial expenditure are set out in standing orders and in standing orders relating to contracts.

The main checks and balances on the respective power of officers and members is summarised in the table below. The table provides some of the key ways in which officers and members are held accountable to local residents. Website links are made to where you can find further information (*those in green and black are internal documents*).

<b>Officer checks /balances</b>	<b>Member checks/balances</b>	<b>Accountability to residents</b>
<ul style="list-style-type: none"> <li>• Officer delegations within Constitution</li> <li>• Pay Policy underpinned by Job evaluation policy</li> <li>• Disciplinary Policy</li> <li>• Employee Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Elections</li> <li>• Independent Remuneration Panel</li> <li>• Members Allowances scheme</li> <li>• Governance Audit and Standards Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Broxtowe Matters Annual Report</li> <li>• Public Questions at Council Meetings</li> <li>• Petitions at Council Meetings</li> <li>• Community Trigger for Anti-social Behaviour</li> </ul>

Officer checks/balances	Member checks/balances	Accountability to residents
<ul style="list-style-type: none"> <li>• Statutory Officers (Chief Executive head of paid service; deputy chief executive section 151 officers; Monitoring Officer; Chief Information Officer-Interim Strategic Director</li> <li>• Financial standing orders within constitution</li> <li>• Contract standing orders within constitution</li> <li>• Fraud Prevention Policy</li> <li>• Treasury Management policy</li> <li>• Business Continuity Plans</li> <li>• Whistleblowing Policy</li> <li>• Strategic Risk Register</li> <li>• Risk Management Policy</li> <li>• Health &amp; Safety Policy; Procedures; Health &amp; Safety Group</li> <li>• Information Management Arrangements</li> <li>• Staff engagement exercises</li> <li>• Complaints and compliments procedure</li> <li>• Licensing and Appeals Committee (employment and grievance appeals)</li> <li>• Statement of Internal Control (SIC)</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory Officers (Chief Executive head of paid service; deputy chief executive section 151 officers; Monitoring Officer; Chief Information Officer-Interim Strategic Director</li> <li>• Questions to Committee chairs at Council meetings</li> <li>• Member code of conduct</li> <li>• Reports at Council by Members of Outside Bodies at Council meetings</li> <li>• Ward Member reports at Council meetings</li> <li>• Public Consultations</li> <li>• Register of Members Interests</li> <li>• Community Action Team Meetings</li> <li>• Declaration of interests at all meetings</li> <li>• Protocol for Councillor/Officer Relationships</li> </ul>	<ul style="list-style-type: none"> <li>• Communications strategy 2018-21</li> <li>• Open Data</li> <li>• Transparency framework</li> <li>• Publication scheme</li> <li>• Publication of Committee decisions</li> <li>• Tenant and Leaseholder Matters</li> <li>• Broxtowe Parks Standard</li> <li>• Public satisfaction surveys</li> <li>• External audit annual letter to Governance at Audit committee</li> <li>• Internal and external audit progress reports at Governance and Audit Committee</li> <li>• Periodic external inspections e.g. EFLG/IIP/IIE/LGA</li> <li>• Peer review</li> <li>• Benchmarking through APSE/CIPFA/SOCITIM/Housemark</li> <li>• Finance Data online</li> <li>• Licensing and Appeals Committee ( Taxi, alcohol, licensing matters)</li> <li>• Commenting on Planning applications and speaking to Planning Committee</li> </ul>

#### 1.4. Corporate Plan and Business Plans



The Council's Corporate Plan sets out the Council's Vision and Priorities. The vision is "Broxtowe- a greener, safer healthier place where everyone prospers".

The priorities are succinctly expressed:

**Housing:** A good quality home for everyone

**Environment:** Protect the environment for the future

**Business:** Invest in our towns and our people

**Health:** Support people to live well

**Community safety:** A safe place for everyone

Each priority has objectives which are set out in the plan and specific measureable outcome measures, in year 1 of the plan (2020/21) and at year 4.

#### 1.5. Strategy and Policy Framework

Within each priority area, a range of strategies and policies are devised to guide the decision making of officers and members. These are approved by the respective committees (see below) apart from those which are reserved for full Council for determination.

#### 1.6. Decision-making Structures

The Council has adopted a committee system, which means that all the political parties are represented within the decision making committees. Neither the Leader of the Council or the Chairs of Committees have executive power, which enables decision making to take place in a democratic fashion with scrutiny taking place as part and parcel of decision making. The Council may set up task and finish or working group arrangements to come forward with proposals for policy development or on topics which members consider require further investigation and enquiry.

- Full Council decides upon policy and certain other specialist functions that cannot be delegated elsewhere, including the setting of the Council Tax.
- The Policy and Performance Committee, which includes the Chairs of all other policy committees, has overall responsibility for developing and delivering policies of the Council and monitoring progress against the objectives of the Corporate Plan.
- The Finance and Resources Committee has responsibility for reviewing the Council's budget and financial management and makes recommendations to Council with regard to the setting of Council Tax.
- Committees mirror the Council's main priority themes of Community Safety; Housing, Jobs and Economy, and Leisure and Health, Environment. These are allocated authority by the Council to develop and deliver policy within their specific remit set out in the constitution.
- Separate quasi-judicial committees exist for Planning, Licensing and Appeals, Alcohol and Entertainments.

- A specific committee exists for personnel decisions and policies.
- Matters relating to governance and standards are dealt with by the Governance, Audit and Standards Committee. The role of this committee is particularly relevant to the operation of the SOLACE/CIPFA code and is set out in more detail below:

#### Role of the Governance, Audit and Standards Committee

The role and operation of the Governance, Audit and Standards Committee is in line with a toolkit and publication produced by CIPFA entitled Audit Committees – Practical Guidance for Local Authorities.

The specific functions delegated to this Committee are provided in its Terms of Reference which include:

- To determine attendance of members at conferences.
- To determine responses on behalf of the Council to any government, local authority or other consultation on matters within the remit of the Committee.
- The functions conferred in relation to standards of conduct by the Local Government Act 2000, the Localism Act 2011 and associated legislation.
- Without prejudice to the generality of the foregoing:
  - promoting and maintaining high standards of conduct for all members and officers
  - preparing for adoption or revision by the Council policies and codes of conduct for members, co-opted members and officers
  - monitoring the operation of the codes of conduct
  - granting dispensations to members (including co-opted members) from requirements relating to interests set out in the Members' Code of Conduct
  - advising and training members, co-opted members and officers on matters relating to conduct
  - undertaking the same duties as detailed above in respect of parish or town Councils within the Council's area
  - considering, determining and dealing with matters referred by the Monitoring Officer
  - considering, determining and dealing with matters referred by the Chief Executive or Monitoring Officer under the Council's Whistleblowing Policy
  - monitoring the complaints made against the Council including those made via the Ombudsman service
  - assessing (and reviewing if appropriate) all complaints made in respect of breaches of the Members' Code of Conduct.
- The Committee will:
  - To oversee the arrangements for the maintenance of the Council's internal control environment

- To monitor and make recommendations regarding the Council's corporate governance arrangements including the appointment of the external auditor
  - Consider ways of achieving reductions in ongoing financial commitments through a review of essential and desirable services and service levels.
  - Identify opportunities for future income generation and cost savings.
  - Examine further procurement and collaborative working opportunities with the private sector and other local authorities.
- Consider the Council's published financial accounts and associated documents, including the Annual Governance Statement, and give approval to them when satisfied;
- Review the work of the internal audit section including the approval of an audit strategy and annual audit plans;
- Consider significant issues arising from internal audit reviews, make recommendations accordingly and monitor management's response;
- Receive reports from the Council's external auditors, the Council's internal auditor and from any inspection agencies and monitor action in response to any issues raised;
- Oversee the effectiveness of the Council's risk management procedures, the control environment and associated fraud and anti-corruption arrangements including the approval of amendments to the strategic risk register and associated action plans;
- Monitor and review the Council's business continuity arrangements;
- Consider the Council's arrangements for corporate governance and recommend necessary action to maintain best practice and to comply with the code of corporate governance;
- Determine the discretionary elements of both national and local conditions of service;
- Determine employment and health and safety policies;
- The power to make payments or provide other benefits in cases of maladministration (section 92 Local Government Act 2000);
- To receive reports directly from the Chief Internal Auditor as and when he/she thinks fit;
- To receive reports directly from the Council's external auditors as and when appropriate.
- The Committee may appoint Panels comprising of a proportionate combination of three or five members of the main Committee.
- To determine responses on behalf of the Council to any government, local authority or other consultation on matters within the remit of the Committee.
- Consider in detail polling district boundaries for the Borough Council's administrative area and any necessary changes to ensure that:
  - electors have such reasonable facilities for voting as are practicable in the circumstances.

- as far as is reasonable and practicable, that polling places are accessible to all electors, including those who are disabled, and when designating a polling place, have regard to the accessibility needs of disabled persons.
- Consider polling places for the Borough Council's administrative area.
- Consider the warding arrangements for Broxtowe to ensure electoral equality in all areas.
- Consider the boundaries of parish councils in the Borough and warding arrangements in those areas, if appropriate.
- Consider the names of Borough Council and parish council wards.

Two joint committees exist – the Economic Prosperity, which consists of the Leaders of all councils in Nottinghamshire to consider countywide development matters; and the Bramcote Bereavement Service Joint Committee which oversees the operation of Bramcote Crematorium, which is jointly owned with Erewash Borough Council.

Two internal committees recommend changes to employee policy pay and conditions – the Local Joint Consultative Committee which considers employee related matters and the Independent Remuneration Panel, which considers matters relating to the remuneration of members. The Independent Remuneration Panel reviewed members' allowances in January 2020 and decided on a further in-depth review later in the year due to the increase in the number of committees at the Council.

The Panel recommended an increase in the allowance in-line with the employee pay award. Full Council received the report of the Panel's findings on 4 March 2020 and accepted the recommendation.

Delegation arrangements to officers are set out in detail within the Constitution. In order to ensure that decisions are made in compliance with the law and approved policy, Chief Officers are charged with responsibility for the operation of controls within their areas of responsibility and for statutory functions as necessary. They make an annual declaration of compliance through the annual statement of internal control.

Regular meetings take place between relevant senior officers and members of the Council to discuss and propose policy.

The Constitution also includes sections on the conduct of meetings, Financial Regulations, Financial Regulations (Contracts) and Codes of Conduct for members and officers.

- 1.7. The Council established a wholly owned leisure services company, Liberty Leisure Limited, from October 2016. These arrangements have delivered cost reductions and increased income though the company operating as a commercial entity and opportunities to better fulfil the Council's aims through increased flexibility in day-to-day operations.

Full control of the company is maintained by the Council through the governance arrangements that are in place, with the Leisure and Environment Committee maintaining an oversight of the company. Liberty Leisure Limited has continued to provide a wide range of leisure and cultural activities and generates a surplus trading position.

- 1.8. A Shared Services Board, chaired by the Chief Executive, meets regularly to keep shared service arrangements under review.

1.9. Strategies, Policies and Business Plans

The Council has a suite of strategies, policies and business plans which mirror its corporate priority themes and ensures that service delivery follows a clearly set out, politically approved and strategically led approach.

1.10. Electoral Arrangements

There Borough wide elections in 2019/20. The Council participated in a pilot voter ID exercise as part of these elections.

1.11. Statutory Officers

The Council's statutory officers are the Chief Executive (as the 'Head of Paid Service'), the Deputy Chief Executive (as the 'Section 151 Officer') and the Interim Monitoring Officer. All three officers are members of the General Management Team (GMT) and have the authority to place reports in front of an appropriate member body where an aspect of concern and within their statutory remit comes to their attention.

In particular, they are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 Officer is specifically responsible for the proper discharge of financial arrangements and must advise the Council where any proposal might be unlawful or where expenditure is likely to exceed resources.

Regular discussions are held at weekly meetings of the General Management Team (GMT) about issues where governance is of concern and periodically a specific discussion takes place to identify areas of concern on the horizon, whether these may arise from such as legislative changes, changing service demands, political matters or financial problems, risk assessment that has been undertaken and any changes in the risk environment in which the Council is operating, and matters to be reported to future committees.

The Deputy Chief Executive is the appointed Section 151 Officer and is a key member of GMT. Being part of GMT, together with meeting with leading members and attending full Council, Policy and Performance Committee, Finance and Resources Committee and other appropriate committees, as required, ensures that the Section 151 Officer can provide corporate financial advice to the Council at the appropriate level and that financial implications and risks are properly taken into account.

All reports to decision making committees incorporate a statement on financial implications where appropriate which are subject to review by the Section 151 Officer and the Head of Finance Services. As such the Council's financial arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016).

The Section 151 Officer's responsibilities include ensuring that GMT and senior members are made aware of any financial issues at the earliest opportunity and making sure that these are acted upon as appropriate.

The Interim Monitoring Officer also attends GMT. Part of their responsibilities include ensuring that any legislative changes are known about and implemented as appropriate, together with monitoring that the Council does not act unlawfully.

Chief Officers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice. Each Chief Officer signs a Statement of Internal Control to acknowledge responsibility in maintaining and operating functions in accordance with the Council's procedures and practices that uphold the internal control and assurance framework.

In 2019/20 the Statements of Internal Control were reviewed to determine whether any further strengthening of the control environment can be achieved. Any areas identified have been addressed or are part of ongoing development of increased controls to be implemented during 2020/21.

#### 1.12. Internal Audit

The Chief Audit and Control Officer is the Council's designated 'Head of Internal Audit' and is under the management of the Deputy Chief Executive. Whilst the Chief Audit and Control Officer is not a member of GMT, in all other respects the role is in accordance with guidance as laid down in the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit, including their attendance at the Governance, Audit and Standards Committee and presenting reports in their own name.

Internal Audit is responsible for the review of the systems of internal control and for giving an opinion on both the corporate and service specific standards in place. The Internal Audit Charter covers all activities of the Council at a level and frequency determined using a risk management methodology. The approach is designed to be risk-based so that it can focus resources on the key areas of risk facing the Council. The current arrangements include sharing Internal Audit management resources with Erewash Borough Council.

In advance of each financial year the Governance, Audit and Standards Committee is responsible for approving the Internal Audit Plan that governs each year's activity. Upon completion of each audit assignment, a report is produced for management with agreed actions for improvement. Regular progress reports on Internal Audit activity are submitted to the Governance, Audit and Standards Committee for scrutiny. This Committee can request

further reviews to be undertaken and can request other committees to further investigate matters arising from any activities within their remit.

#### 1.13. External Audit

The external auditor reviews the Council's arrangements for:

- preparing accounts in compliance with statutory and other relevant requirements
- ensuring the proper conduct of financial affairs and monitoring their adequacy and effectiveness in practice
- securing economy, efficiency and effectiveness.

The external auditor gives their opinion on the Council's accounts and whether or not proper arrangements exist to secure value for money.

The Council continues to examine the use of its financial systems to help produce information for financial management, the capacity of the Finance Services teams and the financial reporting processes used to advise Members during the course of the year.

#### 1.14. Fraud and Corruption

The Department of Work and Pensions (DWP) established a Single Fraud Investigation Service (SFIS) to manage benefit fraud investigation on a national basis. Officers employed by the Council to investigate benefit fraud transferred to SFIS in November 2015.

The Chief Audit and Control Officer is the central contact for non-benefit fraud allegations. The role of Internal Audit has been extended to act as a co-ordinating and investigating service for all non-benefit related fraud and corruption reports and to manage the Council's response to such reports. Internal Audit is supported in this by procuring specialist fraud investigation services as required from local partners, including Erewash Borough Council.

#### 1.15. Partnerships

The Governance, Audit and Standards Committee has the responsibility to examine further procurement and collaborative working opportunities with the private sector and other local authorities. All of the policy committees have included in their remit the power to direct the work of any delivery vehicles established to deliver services within their remit. This may include partnership arrangements, including those with the voluntary and community sector. Where grants are provided to voluntary sector organisations, conditions are applied regarding the reporting of the activities of the grant receiving body and its financial standing. In particular, where grant funding exceeds a given value a service level agreement may be used to gain assurance over the use of funds.

**Significant Governance Issues – Action Plan**

We propose over the coming year to take steps to address the matters listed as “opportunities for improvement” to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Councillor M Radulovic MBE  
Leader of the Council  
Broxtowe Borough Council**

**R Hyde  
Chief Executive  
Broxtowe Borough Council**



**Report of the Deputy Chief Executive**

<b>STATEMENT OF ACCOUNTS 2019/2020 - ACCOUNTING POLICIES</b>
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**1 Purpose of Report**

To provide Members with any updates made to the Council's accounting policies in relation to the production of the 2019/2020 financial statements.

**2 Introduction**

Prior to the completion of the Statement of Accounts 2019/2020, it is considered good practice that Members are given the opportunity to discuss and comment on the accounting policies to be used in the production of the financial statements. These policies will be applied to the treatment of all transactions that make up the Statement of Accounts to ensure the accounts present a true and fair view of the financial position of the Council as at 31 March 2020.

The 2019/2020 Statement of Accounts will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20 (the Code), based upon International Financial Reporting Standards (IFRS).

**3 Updates to the Statement**

The 2019/2020 Code introduces amendments to:

- transfers of investment property
- foreign currency transactions
- treatment of income tax
- prepayment of financial instruments

These changes do not impact on any of the Council's policies.

Policy (vi) Charges to Revenue for Non-Current Assets has been updated to include the basis and useful life used to calculate depreciation on each asset type. This was previously disclosed as within the Notes to the Accounts.

The proposed Accounting Policies for 2019/2020 are set out in the appendix.

**4 Financial Implications**

There are no direct financial costs associated with the accounting policy updates.

<b><u>Recommendation</u></b>
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<b>The Committee is asked to RESOLVE that the Accounting Policies for 2019/2020 be approved.</b>
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**APPENDIX****Accounting Policies****(i) General Principles**

The Statement of Accounts summarises the authority's transactions for the 2019/20 financial year and its position at the year end of 31 March 2020. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting 2019/20 supported by International Financial Reporting Standards (IFRS), International Accounting Standards and statutory guidance issued under section 12 of the Local Government Act 2003.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Statement of Accounts has been prepared on a going concern basis. As required by IAS 1, it has been assumed that the Council will continue in operation for the foreseeable future.

**(ii) Accruals of Income and Expenditure**

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

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

An exception to the above relates to electricity and other similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

As regards private sector housing benefits, payments can relate to periods partly in advance and partly in arrears. The cut-off date applied to such payments is as near to the year end as possible and ensures consistency with the figures used to calculate government subsidy received on such payments.

Council housing rents become chargeable on the Monday of each week for the week ahead. Rent income is accounted for up to and including the last Monday in the financial year. This can therefore include an element relating to the following year for which no adjustment is made. For 2019/20 there are 53 weeks in the rent cycle with 49 weeks being chargeable.

### **(iii) Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

### **(iv) Exceptional Items**

When items of income and expense are material, their nature and amounts is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

### **(v) Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effects of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. See note 2 for more details.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period. See note 6 for more details.

## **(vi) Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

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

With the exception of works vehicles, depreciation is calculated on a straight line basis over the estimated useful life of the asset. The following useful lives have been used in the calculation of depreciation:

- Council Dwellings (Non Components) – 80 years
- Council Dwellings (Components) – 15 to 40 years
- Other Land and Buildings:
  - Council Offices - 60 years
  - Pavilions - 30 years
  - Cemetery Chapels - 30 years
  - Other - 40 years
- Vehicles, Plant, Furniture and Equipment – 5 years
- Infrastructure – 40 years

Any significant components identified in the revaluation of an asset are depreciated separately over their estimated useful life.

Works vehicles are depreciated over their estimated useful lives but with a greater depreciation charge in the early years to reflect the use and diminishing value of these assets.

Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement, but there were accumulated revaluation gains in the Revaluation Reserve for that particular asset, an amount up to the value of that loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

The Council is not required to raise council tax or council housing rents to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. This is known as the Minimum Revenue Provision (MRP).

Depreciation, revaluation and impairment losses and amortisations are therefore reversed out of the General Fund (and Housing Revenue Account (HRA)) and replaced by the MRP. This is completed with an adjusting transaction with the Capital Adjustment Account within the Movement in Reserves Statement for the difference between the two. This ensures that depreciation, revaluation and impairment losses and amortisations have no overall effect on council tax or housing rent levels.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, require local authorities to approve an MRP policy at the beginning of each financial year on setting aside a sum of money from revenue for the repayment of principal on outstanding debt. From 2012/13 onwards the Council has approved a policy such that, for capital expenditure incurred before 1 April 2008, the MRP is based on 4% of the authority's Capital Financing Requirement for the General Fund. For General Fund capital expenditure incurred after 1 April 2008, the MRP is based upon the estimated life of those assets where the financing was provided by borrowing. The Council has also decided that no voluntary provision for the repayment of debt relating to the HRA should be made in 2019/20.

## **(vii) Employee Benefits**

### Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as salaries, paid annual leave and sick leave and are recognised as an expense for service in the year in which employees render service to the Council.

### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or making an offer to encourage voluntary redundancy.

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

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Scheme, administered by Nottinghamshire County Council. The scheme is a defined benefit scheme in that it provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

## The Local Government Pension Scheme

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

- The liabilities of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices using a discount rate that reflects the time value of money and the characteristics of the liability.
- The assets of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

The change in the net pension's liability is analysed into the following components:

- Service cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year (allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked).
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years (debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Resources).
  - Net interest on the net defined benefit liability or asset (i.e. the net interest expense for the Council) – the change during the period in the net defined liability or asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement). This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset at the beginning of the period after taking into account any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - The return on plan assets (excluding amounts included in net interest on the net defined benefit liability or asset) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial gains and losses (changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions) charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- Contributions paid to the Nottinghamshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities (not accounted for as an expense)

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

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

#### **(viii) Events after the Balance Sheet Date**

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

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

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

#### **(ix) Financial Instruments**

##### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument, and are initially assessed at fair value and are carried at amortised cost. Annual charges to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

All borrowings shown in the Balance Sheet consist of the outstanding principal repayable plus accrued interest. Annual interest is charged to the Comprehensive Income and Expenditure Statement in accordance with the loan agreement.

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

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

### Financial Assets

Certain reserves are kept to manage the accounting processes for non-current fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below.

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

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest.

### Financial Assets measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.



All such assets held on the Balance Sheet consist of the outstanding principal receivable plus accrued interest. Annual interest is credited to the Comprehensive Income and Expenditure Statement in accordance with the loan agreement.

The Council has provided a number of “soft loans” to employees at less than market rates for the purchase of motor vehicles. These should be correctly shown in the Balance Sheet at fair value. However, the value of these loans is not considered to be material. Accordingly the value as shown in the Balance Sheet represents the value of any loans made less any repayments that have been received.

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

#### Expected Credit Loss Model

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

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

#### Financial Assets measured at Fair Value through Profit or Loss

Financial assets measured at fair value through profit or loss are recognised on the balance sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they occur in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement technique are categorised in accordance with the following:

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

Any gains or losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. **Page 69**

### Financial Assets measured at Fair Value through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Annual income received from the financial instrument is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement when it becomes receivable by the authority.

The fair value measurements of the financial assets are based on the following techniques:

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

The inputs to the measurement technique are categorised in accordance with the following:

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

The Council can elect to classify certain instruments as Fair Value through Other Comprehensive Income, dependent on the contractual arrangements for the instrument.

For an elected financial asset fair value gains and losses are recognised as they occur in Other Comprehensive Income within the Comprehensive Income and Expenditure Statement but are balanced by an entry in the Financial Instrument Revaluation Reserve. In all other circumstances the gain or loss is recognised in the Financing and Investment Income and Expenditure line on the Comprehensive Income and Expenditure Statement before being transferred to the Financial Instrument Revaluation Reserve via the Movement in Reserve Statement

On derecognition of an elected financial asset the balance on the Financial Instrument Revaluation Reserve is transferred to the General Fund via the Movement in Reserves Statement. In all other circumstances the balance on the Financial Instrument Revaluation Reserve is transferred to the Financing and Investment Income and Expenditure line within the Comprehensive Income and Expenditure Statement.

### **(x) Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired by using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

#### **(xi) Heritage Assets**

The Council's Heritage Assets consist of the DH Lawrence Birthplace Museum building and a painting by Dr Ala Bashir, a respected sculptor and painter, of DH Lawrence which is linked to his most famous novel, Lady Chatterley's Lover. The museum building is held for its historical and artistic significance and to promote knowledge and culture. The DH Lawrence Birthplace Museum is recognised and measured (including the treatment of depreciation and revaluation gains and losses) in accordance with the Authority's accounting rules on property, plant and equipment. The building was revalued at 31 March 2017 in accordance with the Council's 5 year revaluation cycle for such assets. The painting was donated to the Council in 2008.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment. For example, this may be where the asset has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

#### **(xii) Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. Research expenditure cannot be capitalised.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sales proceeds greater than £10,000) the Capital Receipts Reserve.

#### **(xiii) Interests in Companies and Other Entities**

The authority has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. Liberty Leisure Ltd is a wholly owned subsidiary of the authority which manages the provision of leisure and culture services and its accounts are consolidated with the authority's in accordance with IAS 27. See also policy xvi below.

#### **(xiv) Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at cost. Whilst the Code of Practice on Local Authority Accounting 2019/20 requires inventories to be shown at the lower of cost and net realisable value, a departure from this is permitted under IFRS due to:

- the value of inventories not being considered to be material.
- the cost of analysing inventories between cost and net realisable value outweighing the value to the user of the accounts.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year

#### **(xv) Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment income and expenditure line in the Comprehensive Income and Expenditure Statement and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The Council does not currently have any investment properties.

#### **(xvi) Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity.

Jointly controlled assets are items of property, plant and equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

Whilst the Council does not strictly have any jointly controlled operations and jointly controlled assets in line with the definitions above, the Council has a 50% interest in the Bramcote Bereavement Services Joint Committee with the other 50% relating to Erewash Borough Council. Whilst the Bramcote Bereavement Services Joint Committee is a separate entity in its own right, its decision making and operational arrangements fulfil many of features associated with a jointly controlled operation. Therefore, the Council recognises 50% of the assets and liabilities of the Joint Committee on its Balance Sheet and debits and credits the Comprehensive Income and Expenditure Statement with 50% of the expenditure and income of the Joint Committee. This is also recognised in the Movement in Reserves Statement and the Cash Flow Statement as appropriate.

#### **(xvii) Leases**

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

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

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

### The Council as Lessee

#### Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods in which they are incurred. All assets acquired through finance leases have been fully written down at the Balance Sheet date.

#### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease.

### The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

#### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

New standards in respect to leasing come into effect from 1 April 2020 which will change the accounting treatment of finance and operating leases. The Council is assessing the implications but considering the low number of leases the Council currently holds as lessee the impact is not considered to be material.

### **(xviii) Overhead and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SerCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional, democratic organisation

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early

These two cost categories are defined in the Service Reporting Code of Practice but are accounted for under Resources in the Comprehensive Income and Expenditure Statement.

### **(xix) Property, Plant and Equipment**

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

The Council operates a de minimis level in valuing assets. Any assets valued at less than £5,000 are excluded from Balance Sheet values.

#### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### Measurement

Assets are initially measured at cost, comprising:

- the purchase price.
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- Dwellings - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both) are involved, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from a reversal of a loss previously charged to a service).

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

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

### Impairment

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

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

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

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

### Depreciation

Depreciation is provided on all property, plant and equipment assets held by the systematic allocation of their depreciable amounts over their useful lives. An



exception is made for assets without a determinable finite useful life (i.e. freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight line allocation over the useful life of the property.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life of the asset. New specialist vehicles may also have an additional depreciation provision made from the year following acquisition as advised by a suitably qualified officer.
- Infrastructure - straight line allocation over 40 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This applies particularly in respect of council house dwellings.

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

#### Disposals and Non-current Assets Held for Sale

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale

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

If part of an asset is replaced with a similar identifiable component, the carrying amount of the replaced or restored component is derecognised with the carrying amount of the new component being recognised. Any gain or loss arising from this process is credited or debited to the Comprehensive Income and Expenditure Statement as appropriate.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The Council has committed to a government scheme whereby, as from 2012/13, housing capital receipts from right to buy sales can only be used towards new affordable council housing, and within three years of their receipt, otherwise they become payable to the government. The balance of receipts held is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment on council housing or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written off value of disposals is not a charge against council tax or housing rents, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **(xx) Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured as the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

A provision exists in relation to outstanding insurance claims, based upon information supplied by the Council's insurers. All insurance claims transactions during the course of the year are passed through the provision with the appropriate charge being made against the service lines within the Comprehensive Income and Expenditure Statement.

### Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. Further details can be found in note 44 to the accounts.

### Contingent Assets

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

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. Further details can be found in note 45 to the accounts.

### **(xxi) Reserves**

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

### **(xxii) Revenue Expenditure Funded from Capital under Statute**

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

### **(xxiii) VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **(xxiv) Collection Fund**

Billing authorities are required to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates. The Council acts as an agent, collecting and distributing council tax and business rates income on behalf of the major precepting authorities and central government as well as itself.

The difference between the income collected in the Comprehensive Income and Expenditure Statement and the amount by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of year end balances in respect of Council Tax and Non Domestic Rates relating to arrears, impairment allowances for doubtful debts and overpayments and prepayments and appeals.

Non Domestic Rates amounts are collected on behalf of the other partners of Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority.

Council Tax amounts are collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority.

As the Collection Fund is conducted on an agency basis, there is a debtor or creditor position between the Council and the major precepting authorities and central government.

### Council Tax

The Local Council Tax Support Scheme is reviewed by the Finance and Resources Committee prior to the commencement of the financial year and any amendments are approved by full Council.

**Report of the Deputy Chief Executive**

<b>STATEMENT OF ACCOUNTS 2019/2020 – UNDERLYING PENSION ASSUMPTIONS</b>
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**1 Purpose of Report**

To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS 19 (International Accounting Standard 19 - Employee Benefits) figures to be reported in the 2019/2020 Statement of Accounts.

**2 Introduction**

IAS 19 - Employee Benefits is one of the financial reporting standards with which the Council must comply when producing its annual Statement of Accounts. The basic requirement of IAS 19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the scheme actuaries use certain assumptions to reflect expected future events which may affect the cost. The assumptions used should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the balance sheet date. The proposed assumptions for 2019/20 are shown in the appendix.

The Council will use the calculated costs and the underlying assumptions based upon the advice of the actuary of the Nottinghamshire County Council Pension Fund, Barnett Waddingham, and the administering authority (Nottinghamshire County Council), in preparing the annual Statement of Accounts. A formal actuarial valuation is carried out every three years, the last being as at 31 March 2016. The Actuary's final report for 2019/2020 is due to be received on 17 April 2020. All of the figures relating to IAS 19 are simply accounting adjustments made to comply with accounting standards and have no direct impact on resources. The amount charged to the General Fund Balance is the actual amount paid out in employers' contributions and not the charge calculated in accordance with IAS 19. The liability shown in the balance sheet is an estimate based on assumptions and would only ever become payable if the Council ceased as a going concern

<b><u>Recommendation</u></b>
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<b>The Committee is asked to CONSIDER the assumptions to be used in the calculation of pension figures for 2019/2020</b>
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**Background Papers**

Nil

## APPENDIX

Proposed Financial Assumptions for 2019/2020

The value of the Pension Fund's assets and liabilities are heavily dependent on the underpinning assumptions. The Employer is ultimately responsible for the assumptions used and this year's proposed assumptions are listed below:

- **Corporate bond yields.** This is used to derive the discount rate which is applied to the employer's liabilities to calculate their future values. The rates used are those that match the duration of the employer's liability.
- **Expected Return on Assets.** The actuaries anticipate that a typical local Government Pension Fund might achieve a positive return of 12% in the year to 31 March 2020 although this may vary depending on the individual funds investment strategy.
- **Inflation Expectations.** The levels of future Retail Prices Inflation (RPI) are assessed on the basis of the yields on fixed interest and index linked government securities over the period of the duration of the liabilities. The increases in pensions in the Local Government Pension are based on the Consumer Prices Index (CPI) which historically is lower than the Retail Prices Index. The Actuary has assessed the gap between RPI and CPI going forward to be a reduction of between 0.8% and 0.9% dependent on the duration of the employer's liabilities
- **Salary Increases** – The actuaries have proposed that salary increases are in line with CPI to 2020, and then they increase in line with CPI plus 1.5%.

The overall impact of the assumptions for an average employer is set out below but it should be noted that individual employer's circumstances vary, in particular the average age of their overall liabilities and therefore the results for Broxtowe may be different from the assessment below.

Changes in Actuary's Assumptions upon Employer's Liability from 2018/2019

Assumption	Duration of Individual Employee Liability (Years)			
	Less than 10	10 to 15	15 to 20	Greater than 20
Effect of change in discount rate on employer's liability	Increase of 6%	Increase of 8%	Increase of 11%	Increase of 13%
Change in inflation on employer's liability	Decrease of 3%	Decrease of 2%	Decrease of 3%	Decrease of 5%
Overall impact	Increase of 4%	Increase of 8%	Increase of 10%	Increase of 13%

Supreme Court ruling in McCloud/Sargeant case

Two employment tribunal cases were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.

The first case (McCloud) ruled in favour of the claimants whilst the second (Sargeant) was ruled against. Both rulings were appealed and subsequently linked by the Court of Appeal. In December 2018 the Court of Appeal ruled the transitional protection offered to some members as part of the reforms amounts to unlawful discrimination.

On 27 June 2019 the Supreme Court denied the Government's request for an appeal in the case. As yet a remedy has not been agreed and applied so it is not yet clear how this judgement may affect the Local Government Pension Scheme (LGPS) members' past or future service benefits. It has however been noted by Government that it expects to have to amend all public service scheme, including the LGPS. An adjustment to reflect the decision of the Supreme Court was made in Broxtowe's accounts for 2018/19.

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## Report of the Chief Audit and Control Officer

### GOVERNANCE DASHBOARD – MAJOR PROJECTS

#### 1. Purpose of Report

To provide the Committee with a governance dashboard report relating to the Council's major and key projects.

#### 2. Background

Members requested that a regular governance dashboard report be provided to Committee on major projects, such as the Beeston Square Development, Stapleford Town Fund and Housing Delivery Programme, to include a governance checklist and an independent assurance opinion from Internal Audit.

As a consequence of the ongoing lockdown protocols, it has not been possible to prioritise these governance reviews in time for this Committee. To allow time for a robust and professional challenge to be undertaken by Internal Audit, it is proposed that this work is deferred until at least the next meeting.

With regards to the Covid-19 emergency schemes, Internal Audit was asked to confirm that the Council has complied with the government's guidance on the grants given to businesses and the hardship scheme for council tax payers. The request also sought confirmation of compliance with internal governance protocols regarding the grants provided to voluntary and mutual aid groups.

In the immediate timeframe required for reporting to this Committee, it was not possible for the Chief Audit and Control Officer to professionally complete such a review and deliver a robust and independent assurance opinion. Despite this, the Chief Audit and Control Officer has provided some initial commentary regarding the emergency schemes, in particular the Business Support Grants scheme and these are provided in the appendix. A further report will be provided to this Committee in due course as part of the Internal Audit Progress Report.

It should be noted that with regard to decisions made by Committees during the current situation, levels of transparency and openness are being adhered to through the implementation of virtual meetings that include public participation and the ability to stream meetings while ensuring that quoracy levels comply with the Council's Constitution. It should be further noted that grants to outside organisations are currently being made under the Chief Executive's urgency powers following consultation with the Leader of the Council.

#### **Recommendation**

**The Committee is asked to NOTE the report.**

Background Papers

Nil

**APPENDIX****COVID-19 EMERGENCY SCHEMES**

With regards to the Covid-19 emergency schemes, Internal Audit was asked to confirm that the Council has complied with the government's guidance on the grants given to businesses and the hardship scheme for council tax payers. The request also sought confirmation of compliance with internal governance protocols regarding the grants provided to voluntary and mutual aid groups.

It would be difficult for the Chief Audit and Control Officer to complete such a review and deliver a robust and independent assurance opinion in the immediate timeframe required for reporting to this Committee. As such, a professional decision was taken to defer a full review until later after the majority of grant funding had been paid. This is in line with government guidance that supported the need for retrospective review, but not at the expenses of the delivering the schemes promptly and effectively.

The Head of Revenues, Benefits and Customer Services has prioritised the delivery of these schemes. Members should be assured that the Chief Audit and Control Officer has strategically supported him with setting-up the processes for flagging up potential fraud and irregularities. Internal Audit has also been operationally active in supporting the business support grants process with fraud checking and quality checks on a sample basis.

The Chief Audit and Control Officer is comfortable that the Council has delivered the best scheme possible given the timeframe and notwithstanding the tremendous pressure to pay these grants promptly.

Internal Audit will look to review the hardship scheme for council tax payers and the arrangements for providing emergency grants to voluntary and mutual aid groups.

Members will appreciate that much of what has been achieved has been done on an emergency footing and, as such, it may not have been feasible to follow regular established governance procedures in all cases. A further report will be provided to this Committee in due course as part of the Internal Audit Progress Report.

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## Report of the Chief Audit and Control Officer

### **INTERNAL AUDIT PROGRESS REPORT**

#### 1. Purpose of report

To inform the Committee of the recent work completed by Internal Audit.

#### 2. Detail

Under the Council's Constitution and as part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of Internal Audit.

A summary of the reports issued and progress against the agreed Internal Audit Plan for 2019/20 is included at appendix 1. A brief narrative of the Internal Audit work completed since the previous meeting of this Committee is also included.

Internal Audit has also reviewed progress made by management in implementing agreed actions within six months of the completion of the respective audits. Details of this follow-up work are included at appendix 2. Where agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

Further progress reports will be submitted to each future meeting of this Committee. A final report will be prepared for Members' consideration after the end of the financial year detailing the overall performance and productivity of Internal Audit for 2019/20.

#### **Recommendation**

**The Committee is asked to NOTE the report.**

#### Background Papers

Nil

## APPENDIX 1

## INTERNAL AUDIT REPORTS ISSUED SINCE APRIL 2019

No	Audit Title	Report Issued	Assurance Opinion	Significant Actions	Merits Attention
01	Erewash BC – Risk Management	09/04/19	n/a	-	-
02	Financial Appraisal – Durban House	12/04/19	n/a	-	-
33	Commercialisation	29/04/19	Substantial	0	0
34	Bank Reconciliation	20/05/19	Substantial	0	0
35	Key Reconciliations	28/06/19	Substantial	0	1
36	Disabled Adaptations and Lifeline Service	28/06/19	Substantial	0	1
03	Payroll (including Officers Allowances)	28/06/19	Reasonable	1	0
38	Tenancy Management (incl. Housing ASB)	12/07/19	Substantial	0	0
04	Asset Register	12/08/19	Substantial	0	0
05	Financial Appraisal	15/08/19	n/a	-	-
06	Benefits	05/09/19	Reasonable	1	1
07	Sundry Debtors	06/09/19	Reasonable	0	3
08	Asset Management	16/10/19	Substantial	0	1
09	Bramcote Crematorium	21/10/19	Substantial	1	1
10	CCTV	30/10/19	Substantial	0	1
11	Planning Income Reconciliation	06/11/19	n/a	-	-
12	Financial Appraisal – The Square	13/11/19	n/a	-	-
13	Recycling	14/11/19	Substantial	0	1
14	Local Elections	15/11/19	Reasonable	0	2
15	Electrical Testing	15/11/19	Substantial	0	1
16	Choice Based Lettings	18/11/19	Reasonable	0	3
17	<b>Financial Appraisal – The Square</b>	<b>21/11/19</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
18	<b>Financial Appraisal – The Square</b>	<b>20/12/19</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
19	<b>Human Resources</b>	<b>20/12/19</b>	<b>Substantial</b>	<b>0</b>	<b>1</b>
20	<b>NNDR</b>	<b>24/12/19</b>	<b>Substantial</b>	<b>0</b>	<b>2</b>
21	<b>Rents</b>	<b>09/01/20</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
22	<b>LLL – Chilwell Olympia</b>	<b>10/01/20</b>	<b>Substantial</b>	<b>0</b>	<b>1</b>
23	<b>LLL – Online Ticket Portal</b>	<b>28/01/20</b>	<b>Substantial</b>	<b>0</b>	<b>0</b>
24	<b>Financial Appraisal – The Square</b>	<b>31/01/20</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
25	<b>Erewash BC – Risk Management</b>	<b>31/01/20</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
26	<b>Financial Appraisal – The Square</b>	<b>04/02/20</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
27	<b>Procurement and Contract Management</b>	<b>28/02/20</b>	<b>LIMITED</b>	<b>1</b>	<b>5</b>
28	<b>Treasury Management</b>	<b>28/02/20</b>	<b>Substantial</b>	<b>0</b>	<b>2</b>
01	<b>Erewash BC – Safeguarding</b>	<b>01/04/20</b>	<b>n/a</b>	<b>-</b>	<b>-</b>
29	<b>Council Tax</b>	<b>17/04/20</b>	<b>Substantial</b>	<b>0</b>	<b>2</b>

**REMAINING INTERNAL AUDIT PLAN 2019/20**

No	Audit Title	Progress
	Kimberley Depot (including Security)	Draft report issued – pending finalisation
	Cash Receipting	Draft report issued – pending finalisation
	Enforcement	Draft report issued – pending finalisation
	Independent Living Service	Draft report issued – pending finalisation
	Creditors and Purchasing	Draft report issued
	Local Authority Trading Company	Draft report issued
	Financial Resilience	Draft report issued
	Housing Repairs	Ongoing (Nearing completion)
	Information Governance (GDPR, FOI etc.)	Ongoing (Nearing completion)
	Key Reconciliations	Ongoing (Nearing completion)
	Bank Reconciliation	Ongoing (Nearing completion)
	Beeston Town Centre Redevelopment	In progress
	Whistleblowing Policy and Complaints	In progress
	Computer/ICT (including Cyber Risk)	In progress (delayed due to current circumstances)
	Corporate Governance	Deferred to Internal Audit Plan 2020/21
	Operational Risk Management	Deferred to Internal Audit Plan 2020/21
	Planning Applications Process	Deferred to Internal Audit Plan 2020/21
	Health and Safety	Deferred to Internal Audit Plan 2020/21

**COMPLETED AUDITS**

A report is prepared for each audit assignment and issued to the relevant senior management at the conclusion of a review that will:

- include an overall opinion on the adequacy of controls within the system to provide assurance that risks material to the achievement of objectives are adequately managed – ranked as substantial, reasonable, limited or little;
- identify inadequately addressed risks and non-effective control processes
- detail the actions agreed with management and the timescales for completing those actions; and
- identify issues of good practice.

Recommendations made by Internal Audit are risk assessed, with the agreed actions being categorised accordingly as follows:

- Fundamental – urgent action considered imperative to ensure that the Council is not exposed to high risks (breaches of legislation, policies or procedures)
- Significant – action considered necessary to avoid exposure to significant risk.
- Merits Attention (Necessary Control) – action considered necessary and should result in enhanced control or better value for money.
- Merits Attention – action considered desirable to achieve enhanced control or better value for money.

The following audit reports have been issued with key findings as follows:

1. Financial Appraisal – The Square *(four reports)*

Internal Audit has completed four separate financial appraisals of companies and sole traders expressing an interest to lease a space within the Business Hub at The Square, Beeston. The requests were received from the Senior Economic Development Officer, with management wanting consideration of the financial viability of these businesses in order to assess the level of risk to the Council.

The findings and suitable recommendations were reported to the Head of Neighbourhoods and Prosperity, Planning Regeneration and Development Manager, Senior Economic Development Officer, Head of Property Services and Estates Manager.

2. Human Resources

Assurance Opinion – **Substantial**

The focus of the latest Human Resources audit was to seek assurance that recruitment, sickness absence and training is performed and managed in accordance with Council policy and procedures.

It was pleasing to report that the Council has an appropriate framework in place for the management of these aspects of Human Resources. The review indicated an area for improvement with a 'merits attention - necessary control' recommendation being proposed relating to the completeness of record keeping.

Whilst acknowledging that the absence of documentary evidence does not necessarily indicate that a procedure has not been followed or policy fully complied with, it is important for officers to be able to demonstrate compliance with established procedures. It was noted that escalation procedures had been re-established for the probationary process and the completion and submission of the relevant forms had improved. Assurance was also gained from new employees receiving an induction session (including basic health and safety training) within the first two days of the commencement of their employment.

The proposed action was agreed by the Head of Public Protection and the Human Resources Manager. The probationary process for new employees is being reviewing, with an expected outcome being that management of the probationary process will return under the direct control of the HR Manager, including chase-up and escalation in instances of non-compliance. The HR Manager will deliver a briefing to a forthcoming Senior Management Team meeting to emphasise the importance and benefits of completing the probationary process. Furthermore, officers will be reminded to ensure that all expected documentation for personal files relating to the induction process are



received. In the medium-term, the potential for storing evidence of the induction process onto Broxtowe Learning Zone will be investigated.

Internal Audit also noted that the Council has migrated arrangements for the engagement of interim, temporary and agency staff to a third party platform. The platform provides a single online system for the sourcing, monitoring and payment of interim staff and delivers savings in both officer time and cost savings through the reduction of agency commission spend. The platform also provides a procurement compliant solution to the recruitment of interim personnel. The rollout of the platform has been substantially completed across the Council and should continue to be monitored by the Human Resources Manager.

3. NNDR Assurance Opinion – **Substantial**

The specific audit objectives sought to provide assurance that NNDR is correctly calculated; billed amounts are efficiently collected and accounted for; assurances are sought regarding the operation of the service contract with Ashfield District Council; any refunds and write-offs are valid and authorised; fraud risk is considered and measures put in place for the prevention and detection of fraud; and overall arrangements for NNDR Pooling are sufficient with the appropriate returns completed in an accurate and timely manner.

The Council continues to operate within an appropriate and well-established framework for NNDR. The review did indicate areas for improvement and two 'merits attention – necessary control' actions were proposed which should result in enhanced control and/or better value for money. These related to:

- The need to review and update the policy and guidance available on the Council's website, including consideration of consolidating the Business Rates and rate relief guidance into one document.
- The need for management to receive and review a full breakdown of differences between the NNDR1 and NNDR3 returns to enable any significant and/or unexpected variations to be investigated. The Council has recently procured software from Analyse Local that will more readily provide this information.

The actions were duly agreed by the Head of Revenues, Benefits and Customer Services.

4. Rents Assurance Opinion – **Substantial**

Internal Audit reports that the Council has an appropriate framework in place for the administration of operations in respect of Rents. It was noted that the impact of the introduction of Universal Credit continues to be effectively managed.

A review of the Pre-Eviction Protocol for Rent Arrears was also completed. The Council has an appropriate framework in place for evictions, with the protocol being compliant with legislation.

A sample case where eviction was considered on the grounds of rent arrears was reviewed. The findings were considered to be satisfactory, with the action taken being reasonable and compliant with the steps outlined in the protocol.

No significant areas of concern were noted during the course of the audit. The audit findings arising did not indicate any significant areas for improvement and, accordingly, Internal Audit issued a clearance report on this occasion.

5. Chilwell Olympia (Liberty Leisure Ltd) Assurance Opinion – **Substantial**

Internal Audit has reviewed the systems and procedures operating at Chilwell Olympia. The terms of reference were agreed with the Liberty Leisure Managing Director and the Centre Manager prior to the commencement of the audit. The cost of this work will be recharged to Liberty Leisure.

Internal Audit sought to confirm whether adequate management control exists to provide assurance that:

- Amounts due for the hiring of sports facilities and similar services are efficiently collected.
- Purchasing is undertaken in an appropriate and efficient manner.
- Refunds are appropriately controlled.
- Inventories are maintained accurately.
- Operational health and safety risks relating to legionella, asbestos and fire are appropriately addressed.

It was pleasing to report that Liberty Leisure continues to maintain an appropriate framework for the administration of operations at Chilwell Olympia. The review did identify an area for improvement and one recommendation was made for management's consideration. This action related to the need to ensure that the updated Joint Use Agreement with Chilwell School and Nottinghamshire County Council is clear in terms of the roles and responsibilities associated with mitigating operational health and safety risks.

Internal Audit also identified potential efficiencies that may be offered by ongoing developments to the corporate purchasing system which should enhance the efficiency of purchase transactions, improve accessibility to records and enable the roll out of 'intelligent scanning' of invoices currently being implemented.

The necessary actions were agreed by the Liberty Leisure Managing Director and the Centre Manager.

6. Online Ticket Portal (Liberty Leisure Ltd) Assurance Opinion – **Substantial**

Internal Audit has also reviewed the systems and procedures operating in respect of the Online Ticket Portal operated by Liberty Leisure Limited.

The terms of reference, as agreed with the Managing Director, sought to confirm that adequate management control exist to provide assurance that the portal and related financial reconciliation process was operating effectively. The cost of this work will be recharged to Liberty Leisure.

Internal Audit reported that no significant areas of concern. Overall, the review did not indicate any significant weaknesses or areas for improvement and, accordingly, a clearance report was duly issued.

7. Erewash Borough Council – Risk Management

As part of its Internal Audit Collaboration arrangements with Erewash Borough Council, Internal Audit has completed a review of the systems and procedures operating in respect of Risk Management at Erewash which was carried out as part of the Erewash Internal Audit Plan for 2019/20.

8. Procurement and Contract Management Assurance Opinion – **Limited**

The specific terms of reference for this audit was to seek confirmation that confirm whether adequate management control exists to provide assurance that:

- Suitable frameworks are in place for procurement and commissioning activity and this is being adhered to across the Council, including the adoption of a strategy.
- Structured tendering procedures are followed which are compliant with procurement legislation and internal rules.
- Robust contract management is undertaken in an appropriate and structured manner by identified contract managers

Internal Audit was pleased to acknowledge the significant progress that has been made with procurement compliance since the previous audit. A new Procurement and Commissioning Strategy 2019-2024 has been adopted, with was developed with due consideration to procurement legislation (i.e. Public Contract Regulations 2015) and best practice.

The review has indicated further areas for improvement and recommendations were proposed in order to ensure that the processes and controls in place are effective. Internal Audit proposed a 'significant' action relating to the need to establish a corporate contract management framework to provide the appropriate quality assurance and ensure that maximum value is achieved, namely:

Structured Contract Management

Internal Audit reviewed the contract management arrangements in place, including the provision of training for contract managers. It was identified through discussions with the Interim Procurement and Contracts Officer that contract management training is not provided for contract managers.

There are inconsistent mechanisms in place for monitoring, reporting and feedback in relation to contracts. Furthermore, a formal end of contract review is not systematically undertaken to inform any future procurement exercises.

The lack of appropriate and structured contract management could lead to maximum value not being obtained and complications not being identified and resolved in a timely manner.

Internal Audit recommended that a comprehensive review of the contract management framework should be completed to include updating procedures and guidance; reviewing contract monitoring and reporting arrangements (including the setting of key performance indicators); and providing training for contract managers.

Agreed Action (Significant)

A Contract Management Strategy and Framework is being developed to expand upon the adopted Procurement and Commissioning Strategy. This will incorporate both strategic and operational contract management and a multi-layered approach for the 'softer' elements of supplier management and monitoring. A proposal was presented to General Management Team in February 2020 and will now be developed further.

The strategy will propose a three stage process: advising suppliers that the relevant Council's policies as listed in tender documentation will provide the minimum standards required for suppliers engaged by the Council; monitoring progress with suppliers reporting on performance; and undertaking annual strategic reviews for major contracts (by value and/or strategic importance) to consider all aspects of contract compliance, performance and value-for-money.

The framework will require stakeholders to periodically meet with contractors to discuss contract performance, with appropriate records maintained. Any issues can then be escalated accordingly. The process will also include regular dashboard and exception reporting to GMT.

An action plan is being developed as part of the rollout of the framework.

Managers Responsible

Head of Finance Services

Procurement and Contracts Officer

Target Date: 30 June 2020

The review also proposed five 'Merits Attention actions (including three considered to be 'Necessary Controls') relating to the:

- Adoption of updated Financial Regulations (Contract Standing Orders) to support the new Procurement and Commissioning Strategy.
- Development of a procurement e-learning module to support the embedding of the Strategy and to complement the existing guidance available on the intranet and website.
- Evidencing of decision making when adopting a particular approach for a procurement opportunity.
- Retention of tender and contract documentation within the procurement folders to maintain a suitable management trail.
- Ensuring compliance with the Local Government Transparency Code 2015 for publishing requirements for procurement.

The actions were agreed by the Head of Finance Services, Chief Audit and Control Officer and the Interim Procurement and Contracts Officer. Internal Audit will complete appropriate follow-up work at six months from the date of the audit report and will report back to Committee accordingly

9. Treasury Management Assurance Opinion – **Substantial**

The Council has an established framework for the administration of treasury management operations. The short and medium term cash flow forecasting processes were examined and found to be working adequately on a day-to-day basis. The Council is now using the specialist 'Arlingclose iDeal Trade' platform for investments and for new and replacement borrowing.

The review did indicate areas for improvement, with two 'Merits Attention – Necessary Control' actions being proposed. These related to the need to improve cash flow forecasting to take into account the best available data of known and estimated future income and expenditure, with the planning horizon extended to a rolling twelve months. The second action related to the need to complete a tender exercise for the expiring treasury advisors contract.

A suitable action plan was agreed by the Head of Finance Services.

10. Erewash Borough Council – Safeguarding

As part of its Internal Audit Collaboration arrangements with Erewash Borough Council, Internal Audit has completed a review of the systems and procedures operating in respect of Safeguarding at Erewash which was carried out as part of the Erewash Internal Audit Plan for 2019/20.

11. Council Tax Assurance Opinion – **Substantial**

The Council has an established framework in place for the administration of operations in respect of Council Tax.

The review did indicate areas for improvement, with two 'Merits Attention – Necessary Control' actions being proposed. These related to the need to update accounts in a timely manner following the notification of a change in circumstances and the need to ensure that write-off accounts are channelled to the appropriate level of authorisation.

A data-matching exercise with the National Fraud Initiative (NFI) is currently being undertaken in conjunction with other Nottinghamshire authorities in order to target and remove fraudulent claims for Single Person Discount. The completion of the exercise will serve to refresh and update the current applications of Single Person Discounts.

Finally, it was noted that all recovery action (aside from the routine collection of direct debits) has been suspended for a period of two months in response to the Coronavirus Pandemic. There is an increased risk of fraud against local authorities during this time and Internal Audit has offered its advice and support in this area as appropriate.

A suitable action plan was agreed by the Head of Revenues, Benefits and Customer Services.

Further reviews in respect of Bank Reconciliation; Cash Receipting; Creditors and Purchasing; Enforcement; Financial Resilience; Housing Repairs; Independent Living Service; Information Governance; Key Reconciliations; Kimberley Depot (including Security); and Local Authority Trading Company are ongoing and the reports have yet to be finalised. These will be included in the next progress report to Committee.

### **Current Audit Performance**

Overall 81% of planned audits for 2019/20 are near to completion as at 20 April 2020. The level of performance has recently fallen behind what was achieved at this stage in the previous year. This has been largely a consequence of delays in the audit work programme caused by the current lockdown of operations to tackle the coronavirus pandemic. It is now anticipated that 86% of the Internal Audit Plan 2019/20 will be completed, which is below the target of 90%. The remaining audits have all been proposed for deferral to the 2020/21 plan.

## APPENDIX 2

**INTERNAL AUDIT FOLLOW-UP**

Internal Audit has undertaken a review of progress made by management in implementing agreed actions within six months of the completion of the audit.

The table below provides a summary of the progress made with agreed actions for internal audit reports issued between January 2018 and July 2019 excluding clearance reports. Those audits where all actions have previously been reported as completed have also been excluded from this list.

No	Audit Title	Report Issued	Assurance Opinion	Number of Actions (Significant in brackets)	Progress
21	Stores 2017/18	31/01/18	LIMITED	3 (2)	1 Outstanding
03	Procurement 2018/19	07/06/18	LIMITED	2 (1)	Latest Audit
04	Cemeteries 2018/19	25/06/18	Substantial	1	1 Outstanding
37	Serious and Organised Crime 2017/18	05/09/18	Reasonable	6	1 Outstanding
08	Legionella Prevention and Testing 2018/19	11/09/18	Reasonable	5	3 Outstanding
11	Commercial Props/Industrial Units 2018/19	04/10/18	Substantial	1	1 Outstanding
14	Energy (including Procurement) 2018/19	16/11/18	LIMITED	2 (1)	1 Outstanding
25	Information Governance 2018/19	01/03/19	Substantial	1	Latest Audit
29	Council Tax 2018/19	28/03/19	Substantial	2	Latest Audit
30	Safeguarding 2018/19	28/03/19	Substantial	1	Completed
35	Key Reconciliations 2018/19	28/06/19	Substantial	1	Latest Audit
36	Disabled Adaptation/Lifeline Service 2018/19	28/06/19	Substantial	1	Completed
03	Payroll 2019/20	28/06/19	Reasonable	1 (1)	1 Outstanding

Further details of progress being made with agreed actions that have not yet been fully implemented are included below along with comments from management reflecting any updates on progress. Evidence of implementation will not be routinely sought for all actions as part of this monitoring process. Instead, a risk-based approach will be applied to conducting further follow-up work.

Where the agreed actions to address significant internal control weaknesses have not been implemented this may have implications for the Council. A key role of the Committee is to review the outcome of audit work and oversee the prompt implementation of agreed actions to help ensure that risks are adequately managed.

*Members should note that the responses provided below are dated from February 2020, as priorities may have since been realigned to respond to other key operations during the current lockdown to tackle the coronavirus pandemic.*

**OUTSTANDING ACTIONS**

1. Stores		January 2018, Limited Assurance, Actions – 3
1.1 Procurement of Stores Items		Progressing
<u>Agreed Action</u> (Significant) Management will review all procurement and purchasing activity relating to Stores with a view to establishing a programme of retendering work to ensure that requirements are met in full. The use of established procurement frameworks will be considered for these contracts. The support of the Procurement and Contracts Officer will be important for the priority and high-complexity tenders. A suitable timetable for completing the review and renewal of these contracts will be agreed with the Procurement team. <u>Managers Responsible</u> Head of Environment; Transport and Stores Manager		
<b><u>Management Progress Report of the Transport and Stores Manager and the Procurement and Contracts Officer</u></b> Work continues to review all stores related procurement activity and to re-tender contract opportunities where appropriate to ensure compliance with procurement legislation and the Council’s Contract Standing Orders. A benchmarking exercise has been carried out and all current pricing is in-line with framework pricing (and in some cases more competitive). Whilst the Council clearly needs to ensure that it has compliant processes, this should be helping to ensure it is achieving value for money, not at its expense. The risk of an external challenge is low. The Procurement team is working with officers, including Stores, to look at the materials being purchased with a view to standardising items across the Council and its contractors. This will be carried out in parallel with the work to agree a contract with the Efficiency East Midlands (EEM) framework and will cover the material streams for electrical, plumbing and heating, joinery and ironmongery and building materials.		

2. Cemeteries		June 2018, Substantial Assurance, Actions – 1
2.1 Digitisation of Cemetery Records		Progressing
<u>Agreed Action</u> (Merits Attention – Necessary Control) A timetable for developing an efficient solution for maintaining a ‘one-stop’ effective and accurate electronic cemetery records will be produced. The progress made against this plan will then be monitored as appropriate by management (and Bereavement Services Committee). The replacement of the current software solution is considered to be a key part in this medium-term project. <u>Manager Responsible</u> Head of Property Services Revised target date – 31 May 2020		
<b><u>Management Progress Report of the Head of Property Services, the Bereavement Services Manager and the Procurement and Contracts Officer</u></b> This action has recommenced and is progressing, in conjunction with the ICT and Procurement teams. Tender documents are being finalised for advert with the submissions to be evaluated thereafter.		



3. Serious and Organised Crime		Sep 2018, Reasonable Assurance, Actions – 6
3.1 Training		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>Further targeted training to raise awareness of Serious and Organised Crime and its impact will be provided to managers and front-line staff in service areas that are at highest risk. This will include a briefing to a meeting of Senior Management Team. As part of the awareness programme, the latest updates and warnings will be provided via email and/or the Intranet by the Community Safety team.</p> <p><u>Manager Responsible</u> Head of Public Protection</p> <p>Revised target date – 31 May 2020</p>		
<p><b><u>Management Progress Report of the Head of Public Protection</u></b></p> <p>The Serious Organised Crime Strategy was approved by the Community Safety Committee on 19 September 2019. A targeted training programme is now being developed following adoption of the strategy to supplement the updates and advice already provided by the Community Safety team. This will include a briefing presentation to a forthcoming Senior Management Team.</p>		

4. Legionella		September 2018, Reasonable Assurance, Actions – 5
4.1 Health and Safety Audits		Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>In accordance with the policy, Health and Safety will carry out annual audits of the processes relating to Legionella prevention/detection and report its findings to the Safety Committee. This process will include seeking assurances from Responsible Persons that appropriate testing has been undertaken and completing a sample of substantive reviews linked to the areas of highest risk.</p> <p>The review will cover all relevant Council properties, including premises being managed by Liberty Leisure Limited and the community facilities that are presently being tested by Property Services.</p> <p><u>Managers Responsible</u> Head of Property Services; Health and Safety Manager</p>		
<p><b><u>Management Progress Report of the Head of Property Services</u></b></p> <p>The Legionella Policy was reviewed, updated and presented to Safety Committee in February 2020. The designated persons list has been brought up-to-date and those with responsibilities for Legionella testing have been made aware of their responsibilities. Refresher training is being arranged for all staff and will be completed by May 2020.</p> <p>Whilst the audit programme has yet to be developed, this work should be substantively completed by May 2020.</p>		

4. Legionella Prevention and Testing (continued)	
4.2 Training	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>The Legionella Policy will specify that Health and Safety should arrange training courses, prompt refresher training and manage training records on behalf of the Council.</p> <p>The Responsible Persons shall be required to identify and provide details of required training, which will be recorded on a definitive central record. Health and Safety will monitor this list as part of the annual audit and confirm with Responsible Officers that the list and associated training records are up to date. Particular emphasis shall be placed upon ensuring that relevant new employees, agency workers and those involved in shared service arrangements are made aware of their responsibilities and considered for training as appropriate.</p> <p><u>Managers Responsible</u> Head of Property Services; Health and Safety Manager</p>	
<p><b><u>Management Progress Report of the Head of Property Services</u></b></p> <p>A list of Responsible Persons and their training has been compiled. The submissions provided by departments has provided further information in terms of the training completed, which will assist in producing training records. This work should be substantively completed by May 2020.</p>	
4.3 Tendering and Contracts	Progressing
<p><u>Agreed Action</u> (Merits Attention – Necessary Control)</p> <p>A corporate review of the way that Legionella testing, risk assessment, cleaning, chlorination and training services are procured is being undertaken with a view to ensuring consistency, value-for-money and compliance with procurement regulations.</p> <p><u>Managers Responsible</u> Head of Property Services; Health and Safety Manager; Interim Senior Housing Manager</p>	
<p><b><u>Management Progress Report of the Head of Property Services</u></b></p> <p>This action is not considered to be a high risk/priority at this stage, given the ongoing pressure on resources. The action will be progressed later in the new year in conjunction with the Head of Housing and with support from the Procurement team.</p>	

5. Commercial Property/Industrial Units	
5.1 Invoices – Combined Rent and Insurance	Progressing
<p><u>Agreed Action</u> (Merits Attention)</p> <p>The potential to combine the annual billing process for rental and insurance recharges was considered. A wholesale change for all existing tenants was not considered appropriate at this stage as the action would require changing up to 60 system generated invoices as well as disrupting pre-arranged Direct Debits/Standing Orders for tenants.</p> <p>Instead, combined rent and insurance bills will be established for new tenancies and for existing tenants at the point of periodic rent reviews. The Estates Manager will liaise with the Insurance team to calculate a suitable fixed annual premium within the new lease term.</p> <p><u>Manager Responsible</u> Estates Manager</p> <p style="text-align: right;">Revised Target Date: 30 June 2020</p>	
<p><b><u>Management Progress Report of the Estates Manager</u></b></p> <p>Combined rent and insurance bills have been established for new tenants and existing tenants at the point of periodic rent reviews following discussions with the Insurance and Risk Management team to fix a suitable premium. So far, the Council has converted 16 units to a combined rent and insurance debt, with five more underway which will increase the conversion rate to 42%.</p>	

6. Energy		November 2018, Limited Assurance, Actions – 2
6.1 Efficiency Improvements		Progressing
<p><u>Agreed Action</u> (Significant)</p> <p>A risk-based approach will be adopted for the billing and checking process. This will consider the potential improvements outlined in the audit report.</p> <p>The analytical review of monthly billing could be facilitated by the procurement of an Energy Database, which would enable a greater and faster analysis and payment of the incoming invoices. Analysis of usage and charges on each site could be undertaken for both abnormal usage and comparison previous years bills and weather conditions, enabling greater efficiency of identifying potential refunds and credits, and helping to prevent overpayment.</p> <p>This greater efficiency will free up time spent on bill checking and processing by the Energy Officer to progress other proactive tasks such as updating the Carbon Management Plan, looking at further ways to reduce energy consumption and CO<sub>2</sub> emissions.</p> <p><u>Managers Responsible</u> Head of Property Services; Estates Manager; Energy Officer</p> <p style="text-align: right;">Revised Target Date: 31 May 2020</p>		
<p><b><u>Management Progress Report of the Head of Property Services</u></b></p> <p>This action is ongoing. The Council has considered a number of potential databases but has yet to fully evaluate a suitable option that meets with its requirements.</p> <p>The Council has ended the contract for water utility management and is working with Procurement to consolidate all water invoices into one combined invoice with the supplier. Once this has been achieved, there should be a clearer picture of the type of database required to be compatible with the utilities' billing processes.</p>		

7. Payroll	July 2019, Reasonable Assurance, Actions – 1
7.1 Independent Check of Paid Employees	Progressing
<p><u>Agreed Action</u> (Significant)</p> <p>A full reconciliation of the movement in headcount should be carried out by a designated officer, independent of the Payroll process (i.e. Accountancy). The Audit and Control team will support the Payroll and Job Evaluation Manager in creating an independent and sustainable checking process that will then be passed to a designated officer to regularly complete the process on a monthly basis.</p> <p><u>Managers Responsible</u>  Payroll and Job Evaluation Manager  Head of Finance Services</p> <p style="text-align: right;">Revised Target Date: 30 April 2020</p>	
<p><b><u>Management Progress Report of the Payroll and Job Evaluation Manager</u></b></p> <p>A revised process is currently being developed, in conjunction with the Audit and Control team, and will be trialled as part of the February 2020 payroll. The trial will be reviewed for effectiveness and the process then refined to ensure that it is efficient and sustainable, prior to handover to a designated officer, independent of the Payroll process.</p>	

## Report of the Chief Audit and Control Officer

### INTERNAL AUDIT PLAN 2020/21

#### 1. Purpose of report

To approve the Internal Audit Plan for 2020/21.

#### 2. Detail

The Public Sector Internal Audit Standards (the 'Standards') requires the Chief Audit and Control Officer, as the Council's designated 'chief audit executive', to prepare an annual risk based audit plan.

The Internal Audit Plan governs the activity for the year. An audit report is produced at the completion of each assignment with recommendations for improvement. Regular progress reports covering all internal audit activities are submitted to this Committee for scrutiny. The Committee can request further audit reviews to be undertaken and can request other Committees to investigate matters arising from any activities within their remit.

The proposed Internal Audit Plan for 2020/21 is included in the appendix for consideration. The plan has been prepared in accordance with the principles of the Internal Audit Charter. The plan has recognised the Council's priorities as outlined in the Corporate Plan and links closely to the corporate risk management and business planning processes having been prepared with due consideration to the identified strategic risks. The Chief Audit and Control Officer has also considered the valuable comments received regarding key risks and sources of assurance from individual members of the General Management Team and Heads of Service.

#### Recommendation

**The Committee is asked to RESOLVE that the Internal Audit Plan for 2020/21 be approved.**

#### Background papers

Nil

## APPENDIX

## INTERNAL AUDIT PLAN 2020/21

## 1. INTRODUCTION

1.1 Background

The Internal Audit Plan sets out the proposed coverage for Internal Audit work in 2020/21. The mandate for the plan is derived from the Public Sector Internal Audit Standards ('the Standards') produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in collaboration with the Chartered Institute of Internal Auditors (IIA).

The Standards require the periodic preparation of a risk-based plan, which must be linked to a strategic high-level statement of how the service will be delivered and developed in accordance with the Internal Audit Charter and how this links to the Council's objectives and priorities.

The core work of Internal Audit is derived from the statutory responsibility in the Accounts and Audit Regulations 2015 that requires the Council to "undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'. The Standards and the Local Government Application Note constitute proper practices so as to satisfy the requirements for larger relevant bodies as set out in the Regulations.

The Governance, Audit and Standards Committee (the designated 'audit board') should review and assess the annual internal audit work plan, although the development of the risk-based plan remains the responsibility of the Chief Audit and Control Officer after consultation with senior management and the Committee.

1.2 Internal Audit Charter

The Standards require the purpose, authority and responsibility of internal audit activity to be formally documented in a charter document. The Governance, Audit and Standards Committee approved the current Internal Audit Charter on 29 November 2017.

Internal Audit will govern itself by adhering to the Standards, which are based upon the Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. Supplementary guidance issued and endorsed by the relevant internal audit standard setters as applicable to local government will also be adhered to along with the Council's relevant policies and procedures and the internal audit manual. Non-conformance with the Standards shall be reported to the Deputy Chief Executive and the Governance, Audit and Standards Committee.

### 1.3 Aims of the Plan

Internal Audit activity is planned at all levels of operation in order to establish priorities, achieve objectives and ensure the efficient and effective use of audit resources. The Internal Audit Plan will support an opinion based on an assessment of the design and operation of the internal control environment and the adequacy and effectiveness of controls noted from risk-based audit assignments carried out during the year. The aim of the plan is to:

- Deliver a risk-based audit programme through a detailed risk assessment of systems and services across the Council
- Be proactive in looking at what risks the Council is facing and trying to minimise the impact of these risks through audit work
- Add value by providing practical, value-added recommendations in areas of significant risk and by working with senior management in attempting to save resources and enhance controls wherever possible
- Provide assurance to senior management and the Governance, Audit and Standards Committee.

### 1.4 Developing the Plan

The Internal Audit Plan is designed to support the Chief Audit and Control Officer's annual opinion on the overall adequacy and effectiveness of the control environment. The required basis for forming this opinion is:

- An assessment of the design and operation of the overall internal control environment, governance and risk management arrangements
- An assessment of the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments that are reported during the course of year.

It follows that an effective risk-based audit plan should focus resources into areas of principal risk. The plan has been prepared in accordance with the requirements of the Internal Audit Charter and has been informed by:

- A review of the risks contained within the Strategic Risk Register and Business Plans;
- Consideration of progress made with the action generated by the Annual Governance Statement process;
- Consultation with Chief Officers and other senior managers to identify key auditable areas based on an assessment of corporate priorities and current and anticipated future issues and risks; and
- An understanding of the challenges to the Council to deliver its objectives within legislation and the current environment.

The allocations set out in the plan for each review will include time spent on researching and preparing the audit programme, terms of reference, completing site work, testing and the drafting and reviewing of the audit report. The timings assume that the expected key controls are in place and working effectively. Further substantive testing may be required should an assessment of key controls provide limited assurance and additional time may be required to carry out such testing.

The Internal Audit Plan will be regularly reviewed. If additional risks are identified and/or there are changes to priorities during the year, the plan will be reconsidered in conjunction with the Deputy Chief Executive. Any significant changes to the plan will be reported back to the Governance, Audit and Standards Committee for approval.

### **1.5 Resourcing the Plan**

The net resources available in 2020/21 are 361 audit days.

The amount of assurance work proposed is set at 286 days. This equates to an increase of 4% when compared to planned assurance work delivered in the current year. This is due to a full establishment being anticipated in 2020/21. The coverage in terms of the number of high risk assurance audits proposed to be delivered will be similar.

A further 10 days will be provided to support the Council and its wholly owned leisure company, Liberty Leisure Limited, with assurance work relating to its leisure centre operations and the museum. The plan currently includes provision for 25 days to be completed as part of the Internal Audit collaboration with Erewash Borough Council.

In addition, the plan includes 40 days for corporate fraud and corruption prevention activity. The Governance, Audit and Standards Committee approved an updated Fraud and Corruption Policy in March 2017. The Council's approach to fraud and corruption proposes that Internal Audit will take a prominent role in leading and co-ordinating anti-fraud and corruption activities. Internal Audit will be supported in this by engaging specialist fraud investigation services as necessary from local authority partners.

Finally, 25 days are allocated towards audit follow-up work and 'contingency' for special investigations, projects, value for money work and consultancy.

### **1.6 Reporting and Relationships**

The Internal Audit Charter establishes the reporting and relationships, including the reporting arrangements for individual assignments and for the periodic reporting of activities to the Governance, Audit and Standards Committee. The relationships with elected Members; Chief Officers and Senior Management Team; the external auditors; and other assurance providers are also determined in the Charter.



In accordance with the Standards, the Chief Audit and Control Officer will deliver a formal assessment of the design and operation of the overall internal control environment, governance and risk management arrangements and an opinion on the adequacy and effectiveness of controls, based upon the results of the risk-based audit assignments reported during the year. This opinion will be formally recorded in the Internal Audit Annual Review Report to be presented to the Governance, Audit and Standards Committee.

Internal Audit will bring to the attention of the Deputy Chief Executive and the Committee any significant internal control issues that it feels should be declared in the Council's Annual Governance Statement.

#### 1.7 Performance Monitoring

The work of Internal Audit is regularly reviewed to provide assurance that it complies with the Standards, conforms to other relevant professional standards and meets the requirements of the Internal Audit Charter.

Service delivery will be monitored as part of a quality assurance and improvement programme. This will include the regular reporting of progress to the Governance, Audit and Standards Committee, self-assessment and external quality assessment against the Standards, assessment of client feedback and production of performance indicators.

## 2. SUMMARY OF AUDIT DAY ALLOCATIONS

The following table summarises the allocation of days to each department.

	<u>Audit Days</u>
Deputy Chief Executive's Department	
- Corporate	10
- Revenues, Benefits and Customer Services	43
- Finance Services	19
- Other Department	26
Chief Executive's Department	
- Corporate	18
- Housing	59
- Other Department	43
Strategic Director's Department	
- Corporate	5
- Environment	35
- Other Department	28
<b>Assurance Work</b>	<b>286</b>
Trading Companies – Liberty Leisure Limited	10
Corporate Counter Fraud Activities	40
Contingency (including Internal Audit Follow-up Work, Special Investigations, Projects, Value for Money and Consultancy)	25
<b>Net Audit Days</b>	<b>361</b>

### 3. DETAILED INTERNAL AUDIT PLAN

The following tables provide a detailed breakdown of the audits planned for 2020/21. These reviews have been categorised as follows:

- Category A, being the review of key financial systems, such as Council Tax, Rents and Benefits that are the Section 151 Officer's audit priority areas and which are reviewed annually.
- Category B, being high risk/profile areas that should be reviewed and followed-up on a yearly basis.
- Category C, being the audit of operational activities that have been identified as medium to high risk that should be reviewed on at least a cyclical basis.

DEPUTY CHIEF EXECUTIVE'S DEPARTMENT	Category	Days
<b>Corporate</b>		
Procurement and Contract Management	B	10
<b>Revenues, Benefits and Customers Services</b>		
Benefits (including Welfare Reform)	A	15
Business Rates	A	10
Council Tax	A	10
Sundry Debtors	A	8
<b>Finance Services</b>		
Bank Reconciliation	A	3
Creditors and Purchasing	A	10
Treasury Management	A	6
<b>Property Services</b>		
Health and Safety (Strategic)	B	10
Car Parks (including inspection and maintenance)	C	8
Utilities – Water and Energy	C	8
<b>Total Deputy Chief Executive's Department</b>		<b>98</b>

<b>CHIEF EXECUTIVE'S DEPARTMENT</b>	<b>Category</b>	<b>Days</b>
<b>Corporate</b>		
Governance (including Culture and Ethics etc.)	B	10
Climate Change	B	8
<b>Housing</b>		
Rents (including Welfare Reform; Evictions Protocol)	A	12
Housing Delivery Plan (including New Builds; Property Buy-Back)	B	10
Housing Management System	B	8
Gas Servicing and Maintenance	B	8
Housing Voids Management	B	8
Garages	C	5
Leasehold Properties (Service Charges)	C	8
<b>Neighbourhoods and Prosperity</b>		
Planning Applications Process (Consultancy)	C	8
Planning Enforcement	C	10
Section 106 Agreements	C	5
<b>Public Protection (including Human Resources)</b>		
Human Resources (including Skills; Sickness; Apprenticeships)	B	10
HiMO Licences	C	5
Public Health Funerals	C	5
<b>Total Chief Executive's Department</b>		<b>120</b>

<b>STRATEGIC DIRECTOR'S DEPARTMENT</b>	<b>Category</b>	<b>Days</b>
<b>Corporate</b>		
Declarations of Interest	C	5
<b>ICT and Corporate Communications</b>		
Computer/Cyber Risk	B	12
<b>Payroll</b>		
Payroll (including Officers Allowances)	A	8
<b>Administration and Electoral Services</b>		
Cash Receipting	A	8
<b>Environment</b>		
Operational Risk Management (incl. Risk Assessment)	C	5
Fuel Management	C	10
Waste Management	C	10
Neighbourhood Wardens	C	10
<b>Total Strategic Director's Department</b>		<b>68</b>

<b>LIBERTY LEISURE LIMITED</b>	Category	Days
Leisure Centre Operations (Kimberley Leisure Centre)	LLL	8
DH Lawrence Birthplace Museum (Stock/Sales)	LLL	2
<b>Total Liberty Leisure Limited</b>		<b>10</b>

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**Report of the Interim Monitoring Officer**

<b>REPORT OF THE INTERIM MONITORING OFFICER</b>
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1. Purpose of report

The Local Government Ombudsman (LGO) has made a finding of injustice in respect of a lack of repairs undertaken to a garage site.

2. Detail

In summary, the complainant contacted the Council to raise an issue of a garage site flooding since 2016.

The Council acknowledged that the site was flooding and repairs were attempted to rectify the issue. However, there were significant delays in the repairs being investigated.

The LGO found that the Council had not provided the complainant with sufficient communication to relay the continued delay and that it had not undertaken repairs that it had stated it would. The LGO found fault with the above issues and as such recorded its decision as '*maladministration and injustice*.' A full copy of this report is attached as the appendix.

3. Outcome

In line with the LGO's recommendation, the Council has issued an apology to the complainant and issued £150 of compensation.

<b><u>Recommendation</u></b>
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<b>The Committee is asked to NOTE the report.</b>
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Background papers

Nil

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## **The Ombudsman's final decision**

Summary: The Ombudsman found fault by the Council on Mr W's complaint about its failure to promptly act to resolve the drainage issue affecting the garages he rents from it. It failed to do works it said it would, failed to show evidence of works done, and failed to clear vegetation. The agreed action remedies the injustice caused. It was not fault for the Council to insist he continues to pay the rent he agreed to pay for them.

---

## **The complaint**

1. Mr W complains the Council failed to:
  - a) promptly act to resolve a drainage problem affecting the garages he rents from it; and
  - b) reflect the ongoing problem through a reduction in his rental payments.
2. As a result, the garages regularly flood, which he and his wife must spend time and effort cleaning up.

## **What I have investigated**

3. The paragraph at the end of this statement explains why only events from September 2018 were investigated and nothing earlier. Any reference to events taking place before that date are given to put the current complaint in to context.

## **The Ombudsman's role and powers**

4. If we are satisfied with a council's actions or proposed actions, we can complete our investigation and issue a decision statement. (*Local Government Act 1974, section 30(1B) and 34H(i), as amended*)
5. We investigate complaints about 'maladministration' and 'service failure'. In this statement, I have used the word fault to refer to these. We must also consider whether any fault has had an adverse impact on the person making the complaint. I refer to this as 'injustice'. If there has been fault which has caused an injustice, we may suggest a remedy. (*Local Government Act 1974, sections 26(1) and 26A(1), as amended*)
6. We cannot investigate late complaints unless we decide there are good reasons. Late complaints are when someone takes more than 12 months to complain to us about something a council has done. (*Local Government Act 1974, sections 26B and 34D, as amended*)

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## How I considered this complaint

7. I considered all the information Mr W sent, the notes I made of my telephone conversation with Mrs W, and the Council's response to my enquiries, a copy of which I sent him. I sent a copy of my draft decision to Mr W and the Council. I considered their responses.

## What I found

8. Since 2017, Mr W has rented 2 garages to the rear of his home from the Council. Problems first began in 2017 when he noticed pooling of water to the front of the garages following heavy rain over a couple of days. The water then enters and floods the garages, leaving stagnant water behind. The area to the front is made up of poured concrete slabs. There is a channel in the ground to the front of them which leads to a storm drain.
9. He claimed workmen from the Council visited and cleared all the channels but, not those to the front of his garages. He was told the nearby drain needed jetting to clear it out but, this was not done. Mr and Mrs W spent time trying to clear the storm drain themselves.
10. Mr W complains they called the Council on many occasions about the ongoing problem but, the Council takes no action. Mr W withheld the rent increase amount to try and get the Council to resolve the situation.
11. When it responded to their formal complaint, the Council explained resolving the problem would require 'significant expenditure' which it could not justify considering the age and condition of the garages. It explained it could not guarantee the garages would be watertight. It concluded by saying it considered it failed to provide an adequate level of service on this occasion and partly upheld the complaint. It agreed to carry out jetting and install a new threshold to the garages to try and reduce their flooding.
12. In response to my enquiries, the Council says the problem is with a soakaway leading to a drain. The problem is that clay, oil, and silt enter both the soakaway and the drain. Contractors tried to remove this. To fully resolve the problem, the Council estimates it would cost about £15,000 as it would need to remove the concrete, refurbish the drain, and relay the area. It has no record of anyone complaining about the quality of the works its contractors carried out. While it is not in its capital programme for improvement, the Council is considering the site for refurbishment. The Council also confirmed the jetting and installation of the new threshold was not done.
13. The Council sent a copy of:
  - An invoice for October 2017 which states 3 buckets of silt/clay were removed from the drain. In response to my draft decision, Mr and Mrs W say they removed this material. It also said there was a need for a 'sweeper/gully wagon' to suck out the oil tipped in it;
  - An undated invoice for clearing the drain channel of moss and grass;
  - An undated note which said a report was passed to the County Council for one of its vehicles to vacuum up the water. It confirmed the County Council decided this water removal was not within its jurisdiction;
  - An email from Mr W in August 2017 about flooding;
  - A note for February 2018 when Mr W chased the Council about it;

- A note dated March 2018 of another report of flooding. They were told of the target date for completion of the works which was for the following month. A note of Mrs W's further call in April said it did not look like any work was done;
- A note of another call from Mrs W in March 2019 about the flooding. The Council confirmed workmen went out the previous year. They chopped trees down for access but, could not clear the other half because of weeds and nettles. It noted the wish for gardeners to clear it for safe access; and
- In April 2019, Mrs W called again because of flooding. An internal email response said an officer had been out and confirmed a small amount of moss and vegetation outside the garage doors, but the cause of the flooding is a blocked drain. A contractor was asked to clear it. It recorded the area seems to be used by nearby houses to store garden rubbish which itself raised an enforcement issue.

### **Analysis**

14. In reaching a decision on this complaint, I took the following in to account:

- a) Mr W agreed to rent these 2 garages from the Council. By doing so, he entered in to a contract (tenancy agreement). I have seen an example of the agreement he has which states it sets out the obligations, rights, and responsibilities of the Council as landlord and Mr W as tenant.
- b) Under it, Mr W agreed to pay the rent on the first day of each month and on time. The agreement also allowed the Council to revise and change the amount of rent payable by giving 28 days' written notice.
- c) The Council agreed to carry out repairs needed to the garage.
- d) The tenancy agreement has no plan, and makes no reference, to the area outside of the garage. The area to the front of the garage does not, therefore, fall within the contract he entered in to with the Council.
- e) I note the Council has not disputed it owns the concreted area, channel, and storm drain. Nor has it disputed responsibility for their maintenance.
- f) Mr W may wish to take legal advice if he considers the Council is acting in a negligent way to make it impossible, or difficult, to use the garage in the way he wanted and expected because of flooding. He can also take legal advice about whether this has any impact on his contractual right to pay rent for the enjoyment of the garage, for example.
- g) It was not fault for the Council to insist Mr W continue to pay the entire rent payable.
- h) The note made following Mrs W's call in March 2019 referred to trees being chopped down the year before and a need for the remaining half of the site to be cleared of vegetation for access. It referred to the need for gardeners to do this. The note implied this work was not done. There is no explanation about why the remaining half of this work was not done or, how this would resolve the flooding issue. I consider this is fault.
- i) A note in April said a contractor was asked to contact Mrs W to arrange clearance of the drains. There is no record to show whether this was done, or whether the Council chased the contractor to confirm what it did. Nor have I seen an invoice for this work. This is fault.

- 
- j) The works it told Mr W it would do in response to his formal complaint were not, confirmed the Council, done. This was jetting and new threshold work. This is fault.
15. I consider the fault caused Mr W avoidable distress. This includes raised expectations the Council would act in response to his complaint and reports. It also includes the inconvenience and frustration experienced.

### **Agreed action**

16. I considered our guidance on remedies.
17. The Council will, within 4 weeks of the final decision on this complaint, carry out the following:
- a) Send Mr and Mrs W a written apology for failing to: ensure the vegetation removal works were completed; have records showing the contractor did the works as requested in April 2019; to do the works it said it would do in its response to the formal complaint;
  - b) Arrange for the completion of any outstanding vegetation clearance works and explain to Mr and Mrs W how this will help the flooding issue;
  - c) Arrange for the works to be done it said it would do in its formal response to their complaint (jetting and threshold);
  - d) Draw up a regular maintenance schedule for this drain and channel to minimise the risk of flooding; and
  - e) Pay them £150 for the avoidable distress the fault caused.
18. In response to my draft decision, the Council recognised the need to renovate the drainage system. It will arrange to schedule these works as soon as practically possible and will notify individual garage tenants. It cannot guarantee it will keep the site for garage use in the future.

### **Final decision**

19. The Ombudsman found fault on Mr and Mrs W's complaint against the Council. The agreed action remedies the injustice caused.

### **Parts of the complaint that I did not investigate**

20. I did not investigate the Council's actions before September 2018. This is because any Council action before that date Mr and Mrs W wish to complain about is a late complaint. This law states a complainant must usually make a complaint to us within 12 months from the date of becoming aware of the issue he or she wishes to complain about. Mr W complained to us in September 2019.

### **Investigator's decision on behalf of the Ombudsman**

## Report of the Strategic Director

### CANVASS REFORM

#### 1. Purpose of report

To inform members of the new arrangements which will be introduced this year for carrying out the annual canvass.

#### 2. Background

The annual canvass has, until this year, been carried out by all councils on a “one size fits all” approach. This has included a number of prescribed steps, has taken very little account of the differences between local authority areas, has been heavily paper based and time consuming to administer. It allows Electoral Registration Officers (EROs) little scope to innovate or adapt the process to best fit the needs of their local residents. While this means that all properties across the UK are canvassed in the same way, it does not acknowledge that some property types and individuals may require a more tailored approach, nor does it allow EROs to explore and use more efficient ways of canvassing, including the use of technology. The success of the online registration service has demonstrated that there is a clear public acceptance of moving to a more digital approach. The only part of the current system in which online responses can be made is where there is no change to the occupiers of a property, but this is after a paper form has been sent out.

Pilots of four alternative models were carried out in 2016 and 2017 to help identify a more appropriate and modern approach to the canvass. Based on the evidence from the pilots a new model has been developed which allows a mixture of e-communication as well as paper contact. The new approach is less prescriptive and will allow EROs greater flexibility on how they carry out the canvass, for example, the use of e-mail and telephone contact is permitted and in some cases a paper form will not need to be sent to households at all. The pilots showed that the composition of the majority of households does not change. The new model will not therefore require every household to respond when there is some confidence that there has been no change in the composition. Further details of the reformed canvass model are set out in the Appendix.

#### 3. Financial implications

The 2019 canvass cost approximately £45,000. It is estimated that the new approach will cost in the region of £26,000, although this may increase when the cost of the online system (for set up and responses) is known. In previous years a grant has been received from the government to support the budget allocated by councils to meet the cost of registration. However, this has now ended as it is considered that councils’ budgets should be adequate to meet the lower cost of the reformed canvass. It is anticipated that Broxtowe’s budget for 2020/21 will be sufficient. Underspensing from previous years will be used to top up if necessary.

#### Recommendation

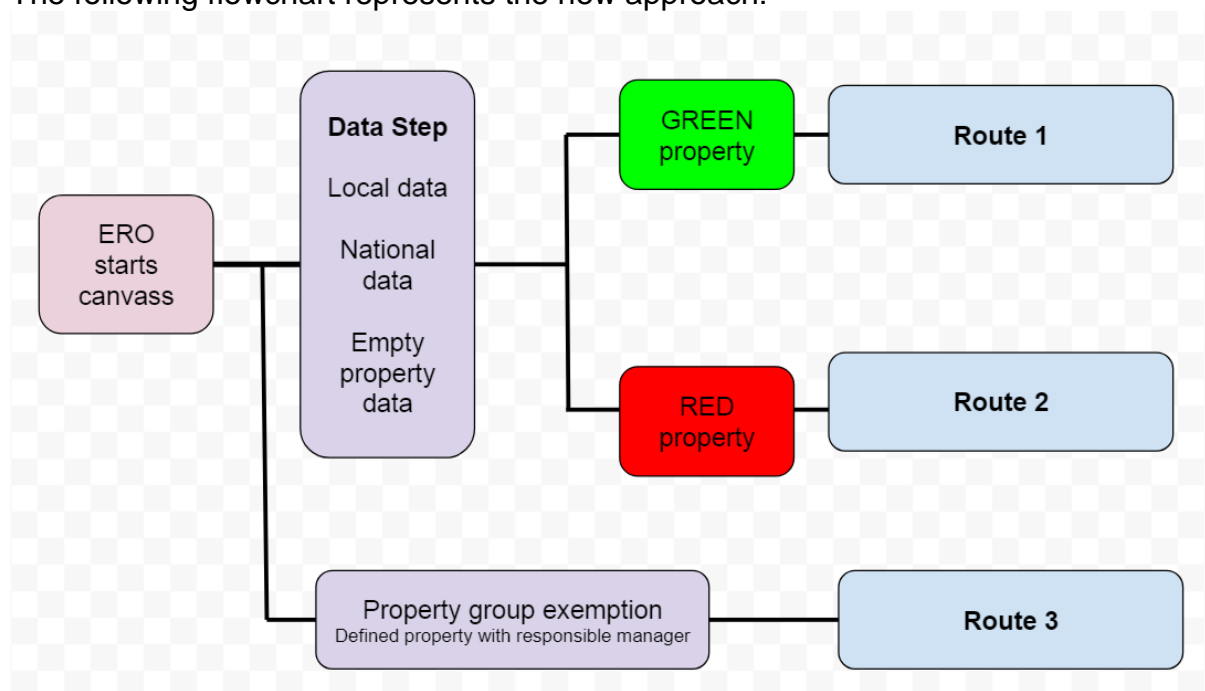
**That the Committee NOTES the new approach to carrying out the annual canvass to be introduced this year.**

#### Background papers

Nil

Reformed Canvass Process

The following flowchart represents the new approach:



At the start of each canvass the electoral register will be uploaded to the online registration digital service and data matched against records held by the Department for Work and Pensions. This process will match at an individual elector level their name, date of birth and where held, the Unique Property Reference Number of their house. At the same time a local data matching exercise will be carried out against council tax records as these may be more up to date than national datasets. Where an elector matches a record held in either the local or national dataset they will be deemed to be “matched” and marked green. If they do not match they will be “unmatched” and marked red. As the canvass is based on households, the results of the data matching will then be aggregated by the Elections Management System (EMS) to give either a green or red match for each property, green indicating that all occupiers match and red showing where one or more do not.

A data test was carried out in March and based on that, it is likely that 84% of households in Broxtowe will be green matched, 15% red and 1% will be dealt with down route 3 as explained below.

The canvass will be carried out by taking properties down a particular “route”:

route 1 – a letter confirming the names of occupiers will be sent to the green properties but unless there has been any change since the previous canvass, no response will be required. It is intended that this communication will be e-mailed to properties for which an e-mail address is held in the EMS in the first instance. This will be to around 25,000 households in Broxtowe. A response is required to e-mail contact to ensure that the notification has been received. The response will be made through the online system provided by the EMS supplier and will be similar to that used in previous years, requiring the property codes to be entered to confirm the household details. If a response is not received to an e-mail, or where an e-mail address is not held for any property, a letter will be posted out.

It is hoped that the majority of households contacted by e-mail will respond and the number of letters which need to be posted out will be reduced considerably. It is expected that around 31,500 A4 letters will need to be sent compared to the 50,000 A3 forms and return envelope under the existing system, reducing the cost of both printing and postage considerably.

route 2 – this will be similar to the current canvass process with red properties being sent an initial paper communication listing all occupiers and being asked to confirm and/or amend those details. Up to two further contacts are required if there is no response to the initial paper communication. One of these, as with the current canvass, must be a personal contact either through a visit to the property or by telephone if a number is held in the EMS. Although this route will be time consuming to administer there will be fewer properties to contact, follow up where households do not respond and visits to arrange than under the existing arrangements.

It is expected that there will be around 7,500 properties in route 2. An A3 form or an A4 letter version and return envelope will need to be posted out to these. However, the form must be sent at either the initial or reminder stage. The final letter has not been made available and a decision has not yet been taken as to which would be most appropriate for the initial contact. As in previous years it is not expected that the online response will be available to deal with changes to households.

route 3 – the current canvassing process does not work well for certain types of property such as care homes, military establishments and university accommodation. Under the reformed model these will be dealt with under a separate route 3 where a letter will be sent to a single responsible person where one can be identified, such as a landlord or care home manager, requesting a list of eligible residents. This will not “block” register those residents, but will enable the ERO to identify any who are not currently registered so that they can be sent an Invitation to Register. If a list cannot be obtained, the route 2 process will need to be followed.

Discussions are currently taking place between Cabinet Office, the Electoral Commission and the Association of Electoral Administrators on the implications of the current situation with coronavirus for the canvass. If lockdown continues until the summer there is some concern that EROs will not be able to fulfil their statutory responsibility in terms of carrying out the canvass. It is expected that provision will need to be introduced to cover this as has been done with elections, but in any event, it is not expected that the existing canvass process will be continued this year. An update will be provided to members when further advice has been received from the government. However, if lockdown is relaxed by the end of July, it is intended that the canvass timetable will be:

- data matching will start in August;
- e-mails will be sent to route 1 properties towards the end August, followed by letters towards the end of September;
- the initial communication to route 2 properties will be sent out early September, with reminders at the end of the month and the visits to properties starting at the end of October;
- contact with route 3 properties will start with care homes and Chetwynd Barracks in August and with the university in late September.

A Communications Strategy will be developed to inform residents of the changes to the canvas process and timetable in due course.

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## Report of the Strategic Director

### WORK PROGRAMME

#### 1. Purpose of report

To consider items for inclusion in the Work Programme for future meetings.

#### 2. Background

Items which have already been suggested for inclusion in the Work Programme of future meetings are given below. Members are asked to consider any additional items that they may wish to see in the Programme.

20 July 2020	<ul style="list-style-type: none"> <li>• Internal Audit Review 2019/20</li> <li>• Internal Audit Progress Report</li> <li>• Annual Counter Fraud Report 2019/20</li> <li>• Review of Strategic Risk Register</li> <li>• Annual Review of Complaints 2019/20</li> <li>• Freedom of Information Report 2019/20</li> <li>• Review of Governance of Parish and Town Councils</li> <li>• Review of the Council's Arrangements for Dealing with Standards Complaints</li> <li>• Governance Projects Dashboard</li> <li>• Community Governance Review</li> </ul>
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### Recommendation

**The Committee is asked to CONSIDER the Work Programme and RESOLVE accordingly.**

#### Background papers

Nil

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