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Broxtowe Borough COUNCIL

Friday, 3 March 2023

Dear Sir/Madam

A meeting of the Governance, Audit and Standards Committee will be held on Monday, 13 March 2023 in the Council Chamber, Council Offices, Foster Avenue, Beeston NG9 1AB, commencing at 7.00 pm.

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

Yours faithfully

Chief Executive

To Councillors:

- I L Tyler (Chair)
- P Lally (Vice-Chair)
- M Brown
- S Dannheimer
- M Hannah
- H Land
- J M Owen
- P J Owen
- J C Patrick
- J P T Parker
- P Roberts-Thomson
- R S Robinson
- P D Simpson

A G E N D A

1. APOLOGIES

To receive apologies and to be notified of the attendance 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 5 - 8)

The Committee is asked to confirm as a correct record the minutes of the meeting held on 28 November 2022

4. AUDIT OF ACCOUNTS 2021/22 AND ASSOCIATED MATTERS (Pages 9 - 12)

To approve the letter of representation and the process for the approval of the Statement of Accounts for 2021/22 and to receive the Audit Completion Report from the Council's external auditors following their work on these accounts.

The letter of representation, Statement of Accounts and Audit Completion Report are circulated separately with this agenda.

5. STATEMENT OF ACCOUNTS 2022/23 - ACCOUNTING POLICIES (Pages 13 - 36)

To provide Members with any updates made to the Council's accounting policies in relation to the production of the 2022/23 financial statements.

6. STATEMENT OF ACCOUNTS 2022/23 - UNDERLYING PENSION ASSUMPTIONS (Pages 37 - 40)

To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS19 figures to be reported in the 2022/23 Statement of Accounts.

7. INTERNAL AUDIT PLAN 2023 - 24 (Pages 41 - 50)

To approve the Internal Audit Plan for 2023/24.

8. INTERNAL AUDIT PROGRESS REPORT (Pages 51 - 64)

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

9. REVIEW OF STRATEGIC RISK REGISTER (Pages 65 - 78)

To approve the amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

10. WORK PROGRAMME (Pages 79 - 80)

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

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GOVERNANCE, AUDIT AND STANDARDS COMMITTEE

MONDAY, 28 NOVEMBER 2022

Present: Councillor I L Tyler, Chair

Councillors: P Lally (Vice-Chair)
M Brown
S Dannheimer
H Land
J M Owen
P J Owen
J C Patrick
R S Robinson
B Willimott (substitute)

Apologies for absence were received from Councillors M Hannah, J P T Parker, P Roberts-Thomson and P D Simpson

29 DECLARATIONS OF INTEREST

There were no declarations of interest.

30 MINUTES

The minutes of the meeting held on 26 September 2022 were confirmed and signed as a correct record.

31 INTERIM REVIEW OF POLLING DISTRICTS AND POLLING PLACES

An interim review of polling districts and polling places was carried out between 1 August and 30 September 2022. No responses were received in respect of the proposed changes to polling districts arising out of the Community Governance Review completed earlier in the year.

The polling place for BCT2, Creo, Seven Oaks Crescent, Bramcote, were considered to be too small, with nowhere for voters to shelter if queuing outside in the rain. Whilst this was accepted, there are no other suitable places in the polling district at the present time.

RECOMMENDED to Council that the proposed changes to the polling districts in appendix 1 and the designation of polling places set out in appendix 2 to the report be approved.

32 CHANGES TO WARD BOUNDARIES

The Committee noted the changes to borough ward boundaries which have been approved by the Local Government Boundary Commission for England.

33 REVIEW OF PARLIAMENTARY BOUNDARIES

The Committee were informed on the progress of the review of parliamentary constituency boundaries being carried out by the Boundary Commission for England.

For Broxtowe, the initial proposals remain unchanged. However, since the proposals were first put out for consultation, the Awsworth, Cossall and Trowell ward boundary has been revised to align with the new Awsworth Parish boundary. This is also the parliamentary boundary with the proposed Nottingham North and Kimberley Constituency.

It was recommended, however, that as only 18 electors are affected by the boundary change, a representation be submitted requesting that the parliamentary boundary was changed to align with the new Awsworth, Cossall and Trowell Borough ward boundary to avoid confusion for voters and to avoid any potential errors with splitting the register for the parts of Kimberley and Nuthall East and Strelley wards which have been taken into Awsworth, Cossall and Trowell.

A proposal to express dissatisfaction against the Kimberley Constituency moving into the Nottingham North Constituency be submitted to the Boundary Commission for England was proposed by Councillor P J Owen and seconded by Councillor Mick Brown. A recorded vote was proposed Councillor P J Owen and seconded by Councillor J Owen.

For	Against	Abstention
M Brown	S Dannheimer	I Tyler
J M Owen	P Lally	
P J Owen	J C Patrick	
B Willimott	H land	
	R S Robinson	

On being put to the meeting the motion was defeated.

RESOLVED that a suggested representation regarding the proposed boundary between the Broxtowe and Nottingham North and Kimberley Constituencies along the Awsworth, Cossall and Trowell Ward Boundary.

34 AUDIT OF ACCOUNTS 2021/22 AND ASSOCIATED MATTERS

The Committee were provided with an update on progress with the audit of the Statement of Accounts 2021/22.

It was noted that Mazars have almost concluded their work on the accounts, although the auditors were not yet in a position to present their Audit Completion Report.

Mazars had not indicated any significant weaknesses in the Council's arrangements from its audit testing to date that would require it to make a significant recommendation. The aim remains to achieve a clean and unqualified audit opinion on the 2021/22 accounts.

RESOLVED:

(i) to Delegate to the Deputy Chief Executive authority to consider and adopt, if necessary, the anticipated Statutory Instrument in order to apply the statutory override relating to the accounting treatment of infrastructure assets and then to change the Council's Accounting Policies accordingly to reflect this; and

(ii) that delegation be given to the Deputy Chief Executive and Section 151 Officer, in consultation with the Chair of this Committee, to approve any subsequent changes required to the Statement of Accounts 2021/22.

35 INTERNAL AUDIT PROGRESS REPORT

The Committee noted the recent work completed by Internal Audit. It was noted that Internal Audit had also reviewed progress made by management in implementing agreed actions within six months of the completion of the respective audits.

RESOLVED that the revision to the Internal Audit Plan for 2022/23 as proposed in appendix 2 be approved.

36 REVIEW OF STRATEGIC RISK REGISTER

The Committee considered the amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

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

37 WORK PROGRAMME

The Committee considered the Work Programme.

RESOLVED that the Work Programme be approved.

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Report of the Deputy Chief Executive

AUDIT OF ACCOUNTS 2021/22 AND ASSOCIATED MATTERS

1. Purpose of report

To approve the letter of representation and the process for the approval of the Statement of Accounts for 2021/22 and to receive the Audit Completion Report from the Council's external auditors following their work on these accounts.

2. Recommendation

The Committee is asked to receive the Audit Completion Report for the year ended 31 March 2022 and RESOLVE that:

(i) the updated Statement of Accounts 2021/22 and letter of representation as circulated be approved; and

(ii) delegation be given to the Deputy Chief Executive and Section 151 Officer, in consultation with the Chair of this Committee, to approve any further changes required to the Statement of Accounts 2021/22.

3. Detail

Further to earlier updates, the Council's appointed external auditors, Mazars, have almost concluded their work on the Statement of Accounts 2021/22. Mazars has published its Audit Completion Report, which is circulated with this agenda. It is pleasing to report that Mazars anticipate issuing an unqualified audit opinion on the 2021/22 accounts. A number of changes have been made to the draft accounts which includes figures relating to pensions and property valuations. A brief summary is set out in the appendix.

The auditors are yet to complete their work in respect of the Value for Money conclusion for the year ended 31 March 2022. At the time of preparing their report, Mazars has not identified any significant weaknesses in the Council's arrangements that require it to make a recommendation.

The updated Statement of Accounts for 2021/22 including the amendments agreed with Mazars thus far, is circulated with this agenda. It is proposed that any further amendments to the accounts be delegated to the Deputy Chief Executive to resolve, in conjunction with the Chair of this Committee.

In accordance with the regulations, the Council's letter of representation in respect of the 2021/22 accounts has to be approved by the Committee charged with governance. The draft letter is circulated separately with this agenda.

A representative from Mazars will be virtually available at the meeting to introduce the Audit Completion Report and respond to any enquiries.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

There are no direct financial implications arising from this report.

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The legislation, the Accounts and Audit Regulations (2015) and the Accounts and Audit (Amendment) Regulations 2022, sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

There were no Unison comments in relation to this report.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

10. Background Papers

Nil

APPENDIX

AUDIT OF ACCOUNTS 2021/22 AND ASSOCIATED MATTERS

In May 2022, this Committee received Mazars' Audit Strategy Memorandum – year ending 31 March 2022 setting out their approach to the audit of the 2021/22 accounts, highlighting the significant audit risks and areas of key judgements.

The draft Statement of Accounts 2021/22 were approved and presented to the external auditors for review on 20 July 2022, ahead of the revised statutory deadline of 31 July 2022 required by the Accounts and Audit (Amendment) Regulations 2022. The public inspection period commenced on 1 August 2022 and ended on 14 September 2022 with details placed on the Council's website.

Mazars' subsequently commenced their review of the accounts remotely. This work has involved scrutinising working papers and other supporting documentation and liaising with officers and associated third parties. Mazars' work focused upon the following significant risks:

- Management override of controls;
- Net defined benefit liability valuation; and
- Valuation of land, building and council dwellings.

Mazars have almost concluded their work on the accounts and have produced their Audit Completion Report. The auditors have stated that, at the time of preparing the report, there are no significant matters outstanding or significant matters remaining outstanding as outlined in section 2. It is pleasing to note that Mazars is anticipating issuing an unqualified opinion, without modification, on the financial statements.

Section 2 of the report details the status of the audit. There were delays in completing audit work on the pension figures from the Nottinghamshire Pension Fund. Mazars report that this audit work is complete, but not without challenges arising from delays and errors caused by third party assurance letters. On 24 November 2022, Mazars was informed that there were significant errors in the assurance report provided by the auditor of the Pension Fund and a replacement would be issued. This replacement was sent on 1 December 2022, and only then was Mazars able to perform the necessary audit work on the findings. Management chose to obtain an updated IAS19 valuation report from the Actuary and a difference in the net liability of around £766k was noted. Although this was below the materiality threshold, appropriate adjustments were made to the accounts and Mazars is satisfied that this balance is fairly stated.

Members will also recall the delay caused by the issue regarding the accounting treatment of 'infrastructure assets'. CIPFA highlighted differences in local authorities' application of the requirements of the Code of Practice on Local Authority Accounting for infrastructure assets. CIPFA is reviewing this area and is expected to clarify its expectations, which may include a change to the Code. Audit firms had agreed to defer issuing any further audit opinions until this had been resolved, however CIPFA has not yet agreed its accounting solution to this issue under the Code.

A temporary solution was put in place via a statutory override with guidance released in January 2023. Mazars asked the Council to review its fixed asset register for infrastructure assets and to ensure suitable records were in place to support the balance, including compliance with relevant accounting standards. Following this review, the Council opted to apply the statutory override, which in effect requires a change in accounting policy and change in the disclosures to the financial statements. These have now been reflected in the revised accounts.

Section 4 of the report details the significant findings from Mazars' work. The audit observations and conclusions have resulted in three internal control recommendations relating to evidence for Property, Plant and Equipment (PPE) valuations; secondary review of journals posted; and related party declarations by Members. The audit recommendations were agreed in full, with further details including the management responses being set out in section 5.

The auditors identified a small number of misstatements in the draft 2021/22 accounts. Full details are set out in section 6 and the most significant of these have been adjusted for accordingly. There was one misstatement that was not considered to be material and for which no adjustment has been made.

Section 7 sets out progress made with Mazars' conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources (i.e. the Value for Money conclusion). The auditors are yet to complete their work in respect of the Council's arrangements for the year ended 31 March 2022. At the time of preparing its report, Mazars do not anticipate any significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.

The meeting of Cabinet on 19 July 2022 considered a report summarising capital and revenue spending in 2021/22 and some detail as to the more significant factors which accounted for any variances. The net spending totals on capital and revenue for the General Fund remains unchanged from those summarised at that meeting. One change in the accounts, totalling £55k, relating to housing rents and garage income has resulted in a positive movement in the year-end position for the Housing Revenue Account (HRA).

Report of the Deputy Chief Executive

STATEMENT OF ACCOUNTS 2022/23 – ACCOUNTING POLICIES

1. Purpose of report

To provide Members with any updates made to the Council's accounting policies in relation to the production of the 2022/23 financial statements.

2. Recommendation

The Committee is asked to RESOLVE that the Accounting Policies for 2022/23 be approved.

3. Detail

Prior to the completion of the Statement of Accounts 2022/23, 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 2023.

The Statement of Accounts 2022/23 will be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the 'Code') based upon International Financial Reporting Standards (IFRS).

The 2022/23 Code introduces amendments to the following, which do not impact on any of the Council's policies:

- IAS16 Property, Plant and Equipment: Proceeds before intended use
- Annual Improvements to IFRS Standards

The proposed Accounting Policies for 2022/23 are set out in the appendix. The policy at section xix 'Property Plant and Equipment' has been updated to reflect the Council's position on the de-recognition of infrastructure assets. The policy was revised after consultation with Mazars, the Council's external auditors.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

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

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The legislation, the Accounts and Audit Regulations (2015) and the Accounts and Audit (Amendment) Regulations 2022, sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

There were no Unison comments in relation to this report.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

10. Background Papers

Nil

APPENDIX

ACCOUNTING POLICIES

(i) General Principles

The Statement of Accounts summarises the authority's transactions for the 2022/23 financial year and its position at the year end of 31 March 2023. 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 2022/23 (the Code) 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 IAS1, 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.

(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 Land and Buildings – 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 the 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 2022/23.

(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 cash flow 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.

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 2022 in accordance with the Council's five-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 Limited 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 IAS27. 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 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 2022 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.

With regards to the de-recognition of infrastructure assets or components of an asset, typically infrastructure assets/components are de-recognised when an asset/component is replaced. In these circumstances the Council will be utilising the Statutory Provision 'The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 SI 1232/2022'. The Council will derecognise infrastructure assets/component at £nil value (i.e. fully depreciated). The exception to this is where an infrastructure asset/component is disposed of via a means other than replacement expenditure (e.g. the sale of an asset). In this case the accounting methods for disposal as set out above will be followed.

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 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 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 39 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 40 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 HM 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 Fun 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 Cabinet prior to the commencement of the financial year and any amendments are approved by full Council.

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Report of the Deputy Chief Executive

STATEMENT OF ACCOUNTS 2022/23 – UNDERLYING PENSION ASSUMPTIONS

1. Purpose of report

To provide Members with information regarding the assumptions made by the pension fund actuary in calculating the IAS19 figures to be reported in the 2022/23 Statement of Accounts.

2. Recommendation

The Committee is asked to NOTE the assumptions to be used in the calculation of pension figures for 2022/23.

3. Detail

IAS19 (International Accounting Standard 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 IAS19 is that an organisation should account for retirement benefits when it is committed to give them, irrespective of when they are paid out.

In order 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 2022/23 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 2019. This covers the financial years 2020/21, 2021/22 and 2022/23. The Actuary's final report for 2022/23 is due to be received on 19 April 2023. All of the figures relating to IAS19 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 IAS19. 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.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

There are no direct financial implications arising from this report, with estimated pensions costs already included within the establishment budgets.

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The legislation, the Accounts and Audit Regulations (2015) and the Accounts and Audit (Amendment) Regulations 2022, sets out the timescales for the production of the Council's accounts, including the dates of the public inspection period. The Statement of Accounts must be published by that date or as soon as reasonably practicable after the receipt of the auditor's final findings.

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers (the Deputy Chief Executive) has the responsibility for the administration of those affairs, which include responsibility for preparing the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

The Statement of Accounts is that upon which the auditor should enter his certificate and opinion which is prepared under the Local Government Finance Act 2003.

6. Human Resources Implications

There were no comments from the Human Resources Manager.

7. Union Comments

There were no Unison comments in relation to this report.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an equality impact assessment is not required.

10. Background Papers

Nil

APPENDIX

PROPOSED FINANCIAL ASSUMPTIONS FOR 2022/23

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 negative return of 6% in the year to 31 March 2022 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 0.25% and 0.8% dependent on the duration of the employer's liabilities.

- Salary Increases – The actuaries have proposed that salary increases will be 3.6% per annum in the long term.

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.

<u>Changes in Actuary's Assumptions upon Employer's Liability from 2021/22</u>

Assumption	Duration of Individual Employee Liability (Years)			
	Less than 10 years	Between 10 to 15	Between 15 to 20	Greater than 20 years
Effect of change in discount rate on employer's liability	Decrease of 17%	Decrease of 24%	Decrease of 30%	Decrease of 36%
Change in inflation on employer's liability	Decrease of 8%	Decrease of 8%	Decrease of 7%	Decrease of 7%
Overall impact	Decrease of 24%	Decrease of 30%	Decrease of 35%	Decrease of 41%

Supreme Court Ruling in McCloud/Sargeant Cases

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) and the second case (Sargeant) were subsequently linked and in June 2019 the Court of Appeal ruled the reforms amounted to unlawful discrimination.

There are currently uncertainties in relation to Local Government Pension Schemes (LGPS) benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2023 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact of Goodwin Case

Following a case involving the Teachers' Pension scheme, known as the Goodwin case, differences between survivor benefits payable to members with same-sex or opposite-sex survivors have been identified within a number of public sector pension schemes. As a result, the Government have confirmed that a remedy is required in all affected public sector pension schemes, which includes the LGPS.

The Actuary does not intend to make any adjustments to accounting valuations as a result of the Goodwin case.

Impact of Lloyds Judgement

The Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid. It is not yet known if, or how, this will affect the LGPS.

Report of the Chief Audit and Control Officer

INTERNAL AUDIT PLAN 2023/24

1. Purpose of Report

To approve the Internal Audit Plan for 2023/24.

2. Recommendation

The Committee is asked to RESOLVE that the Internal Audit Plan for 2023/24 be approved.

3. 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 2023/24 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 input from individual members of the General Management Team and Heads of Service regarding key risks and sources of assurance.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

The work of the Internal Audit section continues to provide crucial and independent assurance to Management and Members over the key aspects of the Council's governance, risk management and internal control arrangements. The cost of Internal Audit is included within the established Finance Services budgets.

5. Legal Implications

The comments from the Head of Legal Services were as follows:

This report already sets out the legal framework for Internal Audit to provide a summary of internal audit work. It addresses the statutory obligations for local audit processes. The Local Government Act 1972 and subsequent legislation sets out a duty for the Council to make arrangements for the proper administration of its financial affairs. This report also complies with the requirements of the following:

- Local Government Act 1972
- Accounts and Audit Regulations 2015
- CIPFA/IIA: Public Sector Internal Audit Standards (PSIAS)
- CIPFA/IIA: Local Government Application Note for the UK PSIAS 33.

The provision of an Internal Audit service is integral to financial management at the Council and assists in the discharge of its duties.

6. Human Resources Implications

N/A

7. Union Comments

N/A

8. Data Protection Compliance Implications

N/A

9. Equality Impact Assessment

N/A

10. Background Papers

Nil.

APPENDIX

INTERNAL AUDIT PLAN 2023/24

1. INTRODUCTION

1.1 Background

The Internal Audit Plan sets out the proposed coverage for Internal Audit work in 2023/24. 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 current Internal Audit Charter was approved by the Governance, Audit and Standards Committee 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, Horizon Scanning Documents 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.

Based on the foregoing, the Chief Audit and Control Officer prioritises audit work for inclusion within the Internal Audit Plan as follows:

- High Priority – audits of areas where there exists significant current or ongoing risk to the Council and/or a satisfactory audit review has not been completed in the previous 12-18 months.

- Medium Priority – audits of areas where there exists moderate current or ongoing risk to the Council and/or a satisfactory audit review has not been recently (approximately 3 years) completed.

- Low Priority – audits of areas where there exists low current or ongoing risk to the Council and/or a satisfactory audit review has been recently completed.

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 <u>Resourcing the Plan</u>

The net resources available in 2023/24 are 344 audit days.

The amount of assurance work proposed is set at 254 days. This is at a similar level to the planned assurance work that was expected to be delivered in the current year (prior to revisions required due to an extended vacancy period), with a full establishment being anticipated in 2023/24. The coverage in terms of the number of high risk assurance audits proposed to be delivered will be similar.

Following on from work commenced in the current financial year, in 2023/24 it is intended to continue the review of procurement arrangements within individual departments across the Council. A provision of 15 days has been made within the Audit Plan for this to be incorporated alongside regular planned audits.

A further 10 days will be provided to support the Council and its wholly owned leisure company, Liberty Leisure Limited, with assurance work primarily relating to the implementation of a new Leisure Management System and key operations at Chilwell Olympia.

In addition, the plan includes 40 days for corporate fraud and corruption prevention activity. The Governance, Audit and Standards Committee approved the latest 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, 50 days are allocated towards other audit-related work including follow-up activity, financial appraisals of potential contractors, tenants and similar entities, consultancy work and provision for special investigations as they arise.

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.

	Audit Days
Chief Executive's Department	
- Housing	48
- Planning and Economic Development	21
- Human Resources	8
Deputy Chief Executive's Department	
- Revenues, Benefits and Customer Services	34
- Finance Services	30
- Liberty Leisure Limited	8
- Asset Management and Development	25
Executive Director's Department	
- Civic and Corporate Communications	8
- Health and Safety	5
- Payroll	8
- Administrative Services	13
- Environmental Services	8
Monitoring Officer's Department	
- Legal Services	8
- Democratic Services	5
Procurement Reviews	15
Assurance Work	**244**
Liberty Leisure Limited	10
Corporate Counter Fraud Activities	40
Other (including follow-up work, financial appraisals, consultancy and provision for special investigations)	50
Net Audit Days	**344**

3. DETAILED INTERNAL AUDIT PLAN

The following tables provide a detailed breakdown of the audits planned for 2023/24.

CHIEF EXECUTIVE'S DEPARTMENT	Priority	Days
Housing		
Choice Based Lettings	High	10
Damp and Mould	High	10
Housing Repairs - Reactive (including Voids Management)	High	10
Tenancy Management	High	10
Rents	High	8
Planning and Economic Development		
Kimberley 'Levelling Up'	High	8
Section 106 Agreements	Medium	5
Shared Prosperity Fund	High	8
Human Resources		
Human Resources	High	8
Total Chief Executive's Department		**77**

DEPUTY CHIEF EXECUTIVE'S DEPARTMENT	Priority	Days
Revenues, Benefits and Customer Services		
Benefits	High	10
NNDR (Business Rates)	High	8
Council Tax	High	8
Sundry Debtors	Medium	8
Finance Services		
Treasury Management	Medium	5
Bank and other Key Reconciliations	Medium	4
Creditors and Purchasing	High	8
Procurement	High	8
Financial Resilience	High	5
Liberty Leisure Limited		
Liberty Leisure Limited (Governance)	High	8
Asset Management and Development		
Asset Management Strategy	High	5
Housing Delivery Plan	High	10
Commercial Property Management	High	10
Total Deputy Chief Executive's Department		**97**

EXECUTIVE DIRECTOR'S DEPARTMENT	Priority	Days
Civic and Corporate Communications		
Corporate Communications	High	8
Health and Safety		
Emergency Planning	High	5
Payroll		
Payroll	High	8
Administrative Services		
Local Elections	High	5
Business Support	Medium	8
Environmental Services		
Operational Risk Management – Environment	Medium	8
Total Executive Director's Department		**42**

MONITORING OFFICER'S DEPARTMENT	Priority	Days
Legal Services		
Legal Services	Medium	8
Democratic Services		
Compliments and Complaints	Medium	5
Total Monitoring Officer's Department		**13**

LIBERTY LEISURE LIMITED	Priority	Days
Chilwell Olympia	High	6
Leisure Management System	High	4
Total Liberty Leisure Limited		**10**

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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. Recommendation

The Committee is asked to NOTE appendices 1 and 2 of the report.

3. 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 is included at appendix 1. A summary narrative of the work completed by Internal Audit since the previous report to 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 detailing the overall performance of Internal Audit for 2022/23 will be presented to this Committee in July 2023.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

The work of the Internal Audit section continues to provide crucial and independent assurance to management and Members over the key aspects of the Council's governance, risk management and internal control arrangements. The cost of Internal Audit is included within the established Finance Services budgets.

5. Legal Implications

This report already sets out the legal framework for Internal Audit to provide a summary of internal audit work. It addresses the statutory obligations for local audit processes. The Local Government Act 1972 and subsequent legislation sets out a duty for the Council to make arrangements for the proper administration of its financial affairs. This report also complies with the requirements of the following:

- Local Government Act 1972
- Accounts and Audit Regulations 2015
- CIPFA/IIA: Public Sector Internal Audit Standards (PSIAS)
- CIPFA/IIA: Local Government Application Note for the UK PSIAS 33.

The provision of an Internal Audit service is integral to financial management at the Council and assists in the discharge of its duties.

6. Human Resources Implications

Not Applicable.

7. Union Comments

Not Applicable.

8. Data Protection Compliance Implications

There are no Data Protection issues in relation to this report.

9. Equality Impact Assessment

As there is no change to policy an Equality Impact Assessment is not required.

10. Background Papers

Nil.

APPENDIX 1

INTERNAL AUDIT REPORTS ISSUED SINCE JULY 2022

The following table summarises the audit assignments and similar work completed by Internal Audit since 1 July 2022. Work completed since the last report to this Committee is presented in bold at the end of the table.

Audit Title	Report Issued	Assurance Opinion	Actions (High Priority)	Actions (Medium / Low Priority)
Health and Safety	11/07/22	Reasonable	0	3
'Contain Outbreak' Grant Return	28/07/22	No issues noted – return submitted		
'Test and Trace' Grant Return	01/08/22	No issues noted – return submitted		
Licensing	10/08/22	Substantial	0	1
Financial Appraisal – TCRF Applicants	10/08/22	No cause for financial concern noted		
Financial Appraisal – TCRF Applicants	25/08/22	No cause for financial concern noted		
Kimberley Leisure Centre	13/09/22	Reasonable	0	0
Benefits	14/09/22	Substantial	0	1
Markets – Cash Review	22/09/22	No issues	0	4
Bereavement Services – Cash Review	26/09/22	No issues	0	2
Major Projects – Governance Dashboard	26/09/22	No cause for concern noted		
Rents	24/10/22	Substantial	0	1
Business Rates (NNDR)	24/10/22	Substantial	0	1
Financial Appraisals – TCRF Applicants	26/10/22	No cause for financial concern noted		
Financial Appraisal – CCTV Upgrade	26/10/22	No cause for financial concern noted		
'Green Homes' Grant Return	18/11/22	No issues noted – return submitted		
Payroll	01/12/22	Substantial	0	0
Human Resources	01/12/22	Reasonable	0	2
Financial Appraisals – TCRF Applicants	01/12/22	No cause for financial concern noted		
Stapleford Town Fund	15/12/22	Substantial	0	0
Financial Appraisal – Stapleford Cycling	**20/12/22**	**No cause for financial concern noted**		
Sundry Debtors	**11/01/23**	**Substantial**	**0**	**0**
Financial Appraisal – Chilwell Housing	**13/01/23**	**No cause for financial concern noted**		
Financial Appraisals – TCRF Applicants	**26/01/23**	**No cause for financial concern noted**		
Electrical Testing (Housing)	**31/01/23**	**LIMITED**	**1**	**1**
Financial Appraisal – Bramcote Housing	**07/02/23**	**No cause for financial concern noted**		
Gas Servicing & Maintenance (Housing)	**09/02/23**	**Reasonable**	**0**	**1**
Waste Management (Trade Waste)	**09/02/23**	**Substantial**	**0**	**2**

REMAINING INTERNAL AUDIT PLAN 2022-23

Audits currently in progress at the time of submission of this report include Operational Risk Management (Kimberley Depot), Treasury Management, Creditors and Purchasing, Bank Reconciliation, Business Support, Commercial Property, Former Council House Repurchasing, Right-to-Buy and ongoing Financial Appraisals of grant awardees for the Stapleford Town Centre Recovery Fund.

Any significant issues identified in audits completed between the date of submission of this report and the date of this meeting of the Committee will be reported by way of a verbal update from the Chief Audit and Control Officer at this meeting.

Other audits, not yet commenced, which constitute the remainder of the Audit Plan for 2022-23 are Corporate Governance, Council Tax, Financial Resilience, Housing Repairs and Key Reconciliations.

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 effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the specific identified key risks relating to the area under audit. This opinion is categorised as either 'Substantial', 'Reasonable', 'Limited' or 'Little' assurance;
- identify inadequately addressed risks and ineffective 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 prioritised, with the agreed actions being categorised accordingly as follows:

- High Priority – Action considered necessary to avoid unmitigated exposure to significant risks
- Medium Priority – Action considered necessary to avoid unmitigated exposure to other key risks
- Low Priority (Best Practice) – Action recommended in order to improve existing procedures and other systems of internal control

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

1. Financial Appraisal – Stapleford Cycle Path

Internal Audit was requested to perform a financial appraisal of a company which had presented a tender to contract for the delivery of the new cycling path (and associated works) in Stapleford, part of the Stapleford Towns Fund project. The review was produced on the basis of information received from the company, financial data retrieved from Companies House, other publicly available information and a report obtained from an external credit referencing agency.

The findings were reported to senior management and the officer requesting the report.

2. **Sundry Debtors** Assurance Opinion – **Substantial**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Invoicing may not be performed in an accurate and timely manner.
- Debt recovery processes may not be managed appropriately.
- Performance reporting may not be adequate or appropriate.
- Credit notes and write-offs may not be appropriately authorised.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. In particular, Internal Audit was pleased to note that the sample of invoices checked had been processed in an accurate and timely manner. In addition, the full sample of write-offs and credit notes had been appropriately authorised.

As no issues relating to the specific key risk areas identified above were noted in the course of this audit, no specific recommendations to address deficiencies in internal control were made.

3. **Financial Appraisal – Chilwell Housing Delivery**

Internal Audit was requested to perform a financial appraisal of a number of companies which had presented a tender to contract for the delivery of new-build housing in Chilwell. The review was produced on the basis of information received from the companies, financial data retrieved from Companies House, other publicly available information and reports obtained from an external credit referencing agency.

The findings of the review were reported to senior management and the officer requesting the report.

4. **Financial Appraisals – Town Centre Recovery Fund Grant Applications**

Internal Audit provided several financial appraisals of businesses which had applied for grants from the Stapleford Town Centre Recovery Fund. These reviews were requested by the Economic Development and Regeneration Manager, with management requiring consideration of the financial viability of the applicants in order to evidence that the payment of a grant from the fund would be reasonable and to reduce the risk of fraud.

The reviews were produced on the basis of information received from the applicants, financial data retrieved from Companies House and other publicly available information. The findings were reported to senior management and the officer requesting the reports.

5. **Electrical Testing (Housing)** Assurance Opinion – **LIMITED**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Electrical testing may not be carried out in accordance with an appropriate schedule to ensure completeness of coverage.
- Adequate records of testing and results may not be retained.
- Appropriate action plans may not be implemented following recommendations from external specialist inspectors.
- Employees performing testing may not be appropriately qualified.
- Testing of work carried out by external contractors (including those sourced by Capital Works) may not be appropriately controlled.

One high-priority recommendation was made, the details of which are as follows:

Completion of Inspections and Record Maintenance

The Council's policy is to ensure the safety of all electrical installations within the housing property portfolio. A part of the Council's policy is a target for the completion of inspections every five years.

At present, the Council's five-year target is not being met, with management estimating that approximately 80% of the housing stock has an electrical certificate issued in the last five years. It is also noted that there remains a backlog of paper-based certificates which are to be scanned and stored digitally within the Council's Housing Management System, Capita.

It is acknowledged that a significant contributory factor to this is the low availability of staffing resource coupled with management turnover and difficulties with recruitment (see also 3.2, below). However, it is understood that a new Repairs and Compliance Manager (in addition to other key roles) is currently being sought.
It is further acknowledged that not all barriers to full compliance with this aspect of the Council's policy (such as difficulties with obtaining access to tenanted properties) are within the Council's control.

Agreed Action (High Priority)

A clear strategy and action plan will be developed in order to achieve full compliance with the Council's target of each Council property having an electrical inspection carried out and (electronically) recorded at least every five years.

One further recommendation (medium priority), relating to the need to ensure that a robust structure and set of processes for electrical testing and monitoring will be formalised and implemented, was presented to and agreed with management.

6. **Financial Appraisal – Bramcote Housing Delivery**

Internal Audit was requested to perform a financial appraisal of a company which had presented a tender to contract for the delivery of new-build housing in Bramcote. The review was produced on the basis of information received from the company, financial data retrieved from Companies House, other publicly available information and a report obtained from an external credit referencing agency.

The findings of the review were reported to senior management and the officer requesting the report.

7. **Gas Servicing and Maintenance** Assurance Opinion – **Reasonable**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- All properties that require an annual Gas Servicing and Maintenance visit may not be identified and visited.
- Adequate records of annual Gas Servicing and Maintenance visits may not be retained.
- The process followed prior to the 'capping' of the gas supply to a property may not be reasonable and robust.
- There may not be adequate Quality Control on the work carried out by Gas Maintenance Operatives.
- Performance Monitoring processes may not be robust or contribute to a culture of continuous improvement.

Internal Audit was pleased to report that no significant issues were identified in the course of this review. In particular, Internal Audit was pleased to note that properties that require an annual Gas Service and Maintenance visit are identified and visited with adequate records being retained.

One recommendation (medium priority), relating to the need to ensure that purchase orders are raised in a consistent and timely manner, was presented to and agreed with management.

8. **Waste Management (Trade Waste)** Assurance Opinion – **Substantial**

The primary purpose of the audit was to provide assurance over the effectiveness of the policies, procedures and other systems of control implemented by management in mitigation of the following specific identified key risks:

- Income collection may not be managed appropriately.
- The design and implementation of collection rounds may not be efficient.
- Contractual requirements regarding the collection and transfer of waste may not be met.
- Risk assessments for collection and transfer of waste may not be up-to-date.

Internal Audit was pleased to report that no significant issues were identified as part of this audit review. In particular, Internal Audit was pleased to note that collection round efficiency has been recently reviewed by management.

Two 'best practice' recommendations, relating to the collection of Waste Transfer Notes from customers and the review of risk assessments, were presented to and agreed with management.

Current Audit Performance

As previously reported to this Committee, a vacancy existed within the Internal Audit team between October 2021 and July 2022. This resulted in considerable slippage in the completion of both the 2021-22 and 2022-23 Internal Audit Plan.

As also previously reported to this Committee, a new Senior Internal Auditor joined the Council on 1 August 2022, allowing work to commence on higher-risk planned audits that were previously deferred as a result of the vacancy period.

The Committee will further recall that it is considered that further audit work is needed in order to fulfil the requirements of the Annual Governance Statement. The Chief Audit and Control Officer is now pleased to report that additional temporary resource has been secured in order to ensure that the level of audit coverage deemed necessary for the Annual Governance Statement is maintained. The cost of such temporary resource is contained within the limits of the salary savings made as a result of the above-noted vacancy period.

A final report on the work of Internal Audit during the financial year 2022-23 will be presented at the July 2023 meeting of this Committee.

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 high and medium priority agreed actions for such internal audit reports issued. Those audits where all actions have previously been reported as completed have been excluded from this list.

Audit Title	Report Issued	Original Assurance Opinion	Number of Actions (High Priority in brackets)	Progress
Housing Delivery Plan	08/06/21	Substantial	3 (1)	1 Outstanding
Customer Services	07/03/22	Reasonable	2	Completed
Council Tax	13/05/22	Substantial	1	1 Outstanding
Grounds Maintenance Services	27/06/22	LIMITED	3 (1)	2 Outstanding
Health and Safety	26/07/22	Reasonable	3	Completed
Benefits	14/09/22	Substantial	1	1 Outstanding

Further details of progress being made with high and medium priority 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. Actions marked as 'superseded' refer to occasions where either 1) developments within the relevant Council department, or the environment within which the department operates, have occurred since the date of the original audit report and the action is no longer relevant or considered a priority in light of the consequent change to the Council's risk profile; or, 2) an alternative action has been implemented to mitigate the risk identified.

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.

OUTSTANDING ACTIONS

1. Housing Delivery Plan

1.1 Revision and Update of the Housing Delivery Plan

Agreed Action (Medium Priority)

The Housing Delivery Plan will be refreshed and updated, in consultation with the Head of Housing, to fully reflect the current aspirations and potential of the project. An update report will be presented to Cabinet accordingly.

Managers Responsible
Head of Asset Management and Development
Housing Delivery Manager — Target Date: 31 December 2021

Progress Report of the Housing Delivery Manager

At the December meeting of Cabinet, it was resolved that an updated Housing Delivery Plan will be produced and brought forward for approval during 2023.

Revised Target Date: 30 September 2023

2. Council Tax

2.1 Single Person Discount – Data Matches

Agreed Action (Medium Priority)

A countywide programme for the review of data matches relating to Single Person Discount, incorporating those provided through the National Fraud Initiative, will be established.

Managers Responsible
Head of Revenues, Benefits and Customer Services — Target Date: 31 August 2022

Progress Report of the Head of Revenues, Benefits and Customer Services

The Council has entered in to a Countywide contract to perform a full Single Person Discount Review, which will include the NFI returns. The Council has now commenced this project. The initial review letters have been issued with the project plan anticipated to conclude on 4 May 2023.

Revised Target Date: 4 May 2023

3. Grounds Maintenance Services

3.1 Procurement of Grounds Maintenance Services

Agreed Action (High Priority)

An action plan will be produced and implemented to undertake a comprehensive review of the procurement of externally-sourced Grounds Maintenance services to ensure compliance with the Council's Constitution, Procurement and Commissioning Strategy and other legislative requirements.

Managers Responsible
Head of Environmental Services — Target Date: 31 July 2022
Parks and Green Spaces Manager

Progress Report of the Head of Environmental Services

An action plan was produced in response to this action in early summer 2022. Since then, management has worked in conjunction with the Council's Procurement and Contracts Officer with a view to tendering the relevant services. The contact specification is now reaching completion and it is anticipated that the exercise will be completed by 30 June 2023.

Revised Target Date: 30 June 2023

3.2 Housing Service Recharge

Agreed Action (Medium Priority)

A review shall be completed to ensure that the recharges for works completed on behalf of the Housing Department are accurate.

Managers Responsible
Head of Environmental Services — Target Date: 30 November 2022
Parks and Green Spaces Manager

Progress Report of the Head of Environmental Services

The recharge process has now been reviewed and the calculation will be completed and reconciled for the end of the financial year when all relevant information (such as employee timesheets) is available.

Revised Target Date: 31 March 2023

4. Benefits

4.1 Checking of Processed Applications

Agreed Action (Medium Priority)

It is considered good practice for 4% of all applications received to be checked on a month-by-month basis to ensure inaccuracies in the processing of applications are detected at the earliest opportunity. It was noted during the course of the audit that this process has slipped.

Accordingly, it was agreed with management that efforts will be made to ensure that the 4% prescribed checks will be completed in a timely manner.

Managers Responsible
Head of Revenues, Benefits and Customer Services Target Date: 30 September 2022

Progress Report of the Head of Revenues, Benefits and Customer Services

Due to several technical issues, the accuracy checks are approximately one month behind the intended target. Over the coming months, the Benefits Team will work to rectify this position and it is anticipated to be in line with the target by the end of the financial year.

Revised Target Date: 31 March 2023

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Report of the Deputy Chief Executive

REVIEW OF STRATEGIC RISK REGISTER

1. Purpose of report

To approve the amendments to the Strategic Risk Register and the action plans identified to mitigate risks.

2. Recommendation

The Committee is asked to RESOLVE that the amendments to the Strategic Risk Register and the actions to mitigate risks as set out be approved.

3. Detail

In accordance with the corporate Risk Management Strategy, the Strategic Risk Management Group met on 1 February 2023 to review the Strategic Risk Register. General Management Team (GMT) has since considered the proposals from the Group. The objectives of the review were to:

- Identify the extent to which risks included in the register are still relevant
- Identify any new strategic risks to be included in the register
- Review action plans to mitigate risks.

A summary of the risk management process is included in appendix 1. The Risk Management Strategy includes a '5x5' risk map matrix to assess both the threats and opportunities for each strategic risk in terms of both the likelihood and impact. The risk map is included to assist the understanding of the inherent and residual risk scores allocated to each strategic risk. These scores will be considered further and amended as necessary in due course.

Details of the proposed amendments to the Strategic Risk Register and actions resulting from the process are attached in appendix 2. The Strategic Risk Register incorporating the proposed amendments is available on the intranet. An extract from the register of the entries relating to the highest rated 'red' risks are included in appendix 3 for Members consideration.

Further reviews of the Strategic Risk Register will be reported to future meetings of this Committee.

4. Financial Implications

The comments from the Head of Finance Services were as follows:

There are no direct financial implications that arise from this report. Any future additional budgetary requirements will be considered separately by Cabinet.

5. Legal Implications

The comments from the Head of Legal Services and Deputy Monitoring Officer were as follows:

The Strategic Risk Register is the main mechanism used by the Council to identify, assess and monitor key risks. Whilst there are no direct legal implications arising from this report, it is important to assess whether the risks identified are being effectively mitigated and managed.

6. Human Resources Implications

N/A

7. Union Comments

N/A

8. Data Protection Compliance Implications

N/A

9. Equality Impact Assessment

N/A

10. Background Papers

Nil

APPENDIX 1

REVIEW OF STRATEGIC RISK REGISTER

Introduction

The Risk Management Strategy, as revised in December 2018, aims to improve the effectiveness of risk management across the Council. Effective risk management will help to ensure that the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver priorities, improve outcomes for residents and mitigating legal action and financial claims against the Council and subsequent damage to its reputation.

The Strategy provides a comprehensive framework and process designed to support both Members and Officers in ensuring that the Council is able to discharge its risk management responsibilities fully. The Strategy outlines the objectives and benefits of managing risk, describes the responsibilities for risk management, and provides an overview of the process that the Council has in place to manage risk successfully. The risk management process outlined within the Strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This covers both strategic priorities, operational activities and the delivery of projects or programmes.

The Council defines risk as "the chance of something happening that may have an impact on objectives". A risk is an event or occurrence that would prevent, obstruct or delay the Council from achieving its objectives or failing to capture business opportunities when pursuing its objectives.

Risk Management

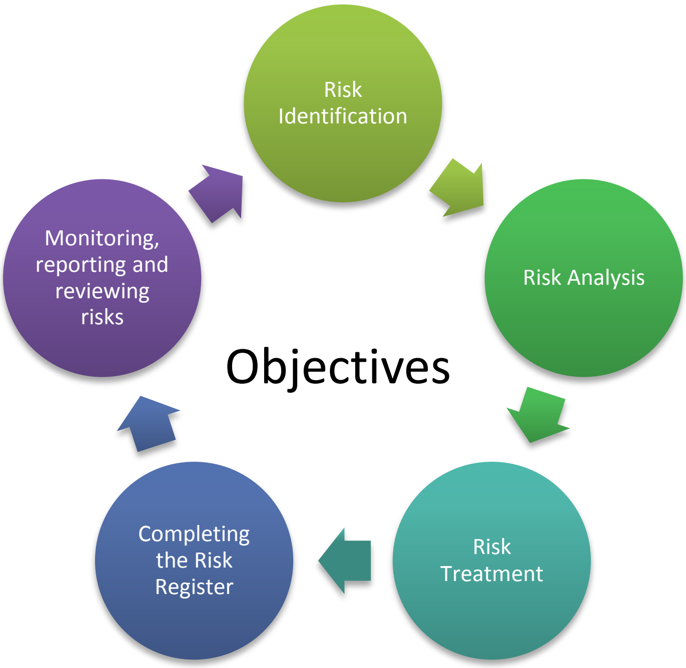
Risk management involves adopting a planned and systematic approach to the identification, evaluation and control of those risks which can threaten the objectives, assets, or financial wellbeing of the Council. It is a means of minimising the costs and disruption to the Council caused by undesired events.

Risk management covers the whole range of risks and not just those associated with finance, health and safety and insurance. It can also include risks as diverse as those associated with reputation, environment, technology and breach of confidentiality amongst others. The benefits of successful risk management include:

- Improved service delivery with fewer disruptions, efficient processes and improved controls
- Improved financial performance and value for money with increased achievement of objectives, fewer losses, reduced impact and frequency of critical risks
- Improved corporate governance and compliance systems with fewer legal challenges, robust corporate governance and fewer regulatory visits
- Improved insurance management with lower frequency and value of claims, lower impact of uninsured losses and reduced premiums.

Risk Management Process

The Council's risk management process has five key steps as outlined below.



Process Step	Description
Risk Identification	Identification of risks which could significantly impact the Council's aims and objectives – both strategic and operational.
Risk Analysis	Requires consideration to the identified risks potential consequences and likelihood of occurring. Risks should be scored against the Council's risk matrix
Risk Treatment	Treat; Tolerate; Transfer; Terminate – Identify which solution is best to manage the risk (may be one or a combination of a number of treatments)
Completing the Risk Register	Document the previous steps within the appropriate risk register. Tool for facilitating risk management discussions. Standard template to be utilised to ensure consistent reporting.
Monitoring, reporting and reviewing the risks	Review risks against agreed reporting structure to ensure they remain current and on target with what is expected or manageable.

Risk Matrix

Risk – Threats

Likelihood	Insignificant – 1	Minor – 2	Moderate – 3	Major – 4	Catastrophic – 5
Almost Certain – 5	**5**	**10**	**15**	**20**	**25**
Likely – 4	**4**	**8**	**12**	**16**	**20**
Possible – 3	**3**	**6**	**9**	**12**	**15**
Unlikely – 2	**2**	**4**	**6**	**8**	**10**
Rare – 1	**1**	**2**	**3**	**4**	**5**

Impact

Risk Rating	Value	Action
Red Risk	25	Immediate action to prevent serious threat to provision and/or achievement of key services or duties
	15 to 20	Key risks which may potentially affect the provision of key services or duties
Amber Risk	12	Important risks which may potentially affect the provision of key services or duties
	8 to 10	Monitor as necessary being less important but still could have a serious effect on the provision of key services
	5 to 6	Monitor as necessary to ensure risk is properly managed
Green Risk	1 – 4	No strategic action necessary

APPENDIX 2

Strategic Risk Register – Summary of Proposed Changes

Inherent Risk – Gross risk **before** controls and mitigation

Residual Risk – Risk remaining **after** application of controls and mitigating measures

Risk	Inherent Risk	Residual Risk	Changes
1. Failure to maintain effective corporate performance management and implement change management processes *The position with regards to this risk is **unchanged**.*	20	**4** Green	The action to prepare for the Local Government Association (LGA) peer review was completed and replaced with an action to consider the outcomes of the LGA peer review and present an improvement plan to Cabinet in March 2023.
2. Failure to obtain adequate resources to achieve service objectives *Although the residual risk score does not need to change, it was considered that the position with regards to this risk had **improved**.*	25	**16** Red	The group noted the ongoing 'cost of living crisis' and high inflation which is keeping this risk as one of the highest rated red risks. The action to produce a new Asset Management Strategy to present to Cabinet in December 2022 was completed. The action to await the outcome of the Levelling Up Fund bids submitted was updated to progress with the delivery of the successful Levelling Up Fund bid for Kimberley. The action to present an updated Medium Term Financial Strategy and Business Strategy to Cabinet was updated to refer to Cabinet in September/October 2023.
3. Failure to deliver the Housing Revenue Account (HRA) Business Plan *Although the residual risk score does not need to change, it was considered that the position with regards to this risk had **worsened**.*	25	**12** Amber	Actions to model the potential impact of the rollout of Universal Credit on rents to minimise the level of arrears and to implement service charges to fully recover costs at general needs housing properties have both been completed and are now considered under 'business and usual'. The action to review the outcome of the government consultation on rent setting levels (rent cap) and its impact on the HRA has been completed.

Risk	Inherent Risk	Residual Risk	Changes
4. Failure of strategic leisure initiatives *The position with regards to this risk is **unchanged**.*	25	**20** **Red**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.
5. Failure of Liberty Leisure (LLL) trading company *The position with regards to this risk is **unchanged**.*	25	**12** **Amber**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.
6. Failure to complete the re-development of Beeston town centre *Although the residual risk score does not need to change, it was considered that the position with regards to this risk had **improved**.*	25	**8** **Amber**	The action to progress with Phase 3 of the Beeston Square redevelopment ('Argos block') was completed and replaced with an action to identify suitable tenants and complete the letting of units in Phase 3 of the Beeston Square redevelopment (the 'Argos block').
7. Not complying with legislation *The position with regards to this risk is **unchanged**.*	25	**6** **Amber**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.
8. Failure of financial management and/or budgetary control and to implement agreed budget decisions *The position with regards to this risk is **unchanged**.*	25	**4** **Green**	New actions were added to: • Complete a review of the Council's Financial Regulations and Contract Procedure Rules. • Establish a Capital Programme Working Group to consider progress and risks associated with the delivery of key capital projects. The action to present an updated Medium Term Financial Strategy and Business Strategy to Cabinet was updated to refer to Cabinet in September/October 2023.
9. Failure to maximise collection of income due to the Council ***The residual risk score has been revised after it was considered that the position with regards to this risk had improved.***	20	**9** **Amber**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk. **Given the current levels of performance and the robust control framework in place to ensure that income collection is maximised, it was agreed that the residual risk score be reduced from 12 to 9.**

Risk	Inherent Risk	Residual Risk	Changes
10. Failure of key ICT systems *The position with regards to this risk is **unchanged**.*	25	**15** **Red**	The review and refresh of corporate and departmental Business Continuity Plans to consider the potential impact of a cyber-attack was progressing, with the target date extended to 31 March 2023. The relocation of the Backup Server from the Council Offices to Kimberley Depot will be completed once electrical upgrade works are concluded, with the target date extended to 31 March 2023.
11. Failure to implement Private Sector Housing Strategy in accordance with Government and Council expectations *The position with regards to this risk is **unchanged**.*	20	**4** **Green**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.
12. Failure to engage with partners/community to implement the Broxtowe Borough Partnership Statement of Common Purpose *The position with regards to this risk is **unchanged***	15	**4** **Green**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.
13. Failure to contribute effectively to dealing with crime and disorder *The position with regards to this risk is **unchanged***	15	**3** **Green**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.
14. Failure to provide housing in accordance with the Local Development Framework *The position with regards to this risk is **unchanged***	20	**12** **Amber**	No significant changes were proposed to the key controls, risk indicators and action points for this strategic risk.
15. Natural disaster or deliberate act, which affects major part of the Authority *The position with regards to this risk is **unchanged***	15	**12** **Amber**	The action to review the Major Emergency Plan with a target date of December 2022 was completed. The target date for the action to review and refresh Business Continuity Plans was extended to 31 March 2023.

Risk	Inherent Risk	Residual Risk	Changes
16. Failure to mitigate the impact of the Government's welfare reform agenda ***The residual risk score has been revised after it was considered that the position with regards to this risk had improved.***	20	**4** **Green**	No significant changes were proposed to the key controls, risk indicators and action points for this strategic risk. **The context of this risk has changed significantly since its first inclusion on the Strategic Risk Register. Given the key controls and risk indicators in place, it was agreed that the residual risk score be reduced from 6 to 4.**
17. Failure to maximise opportunities and to recognise the risks in shared services arrangements *The position with regards to this risk is **unchanged***	20	**9** **Amber**	No significant changes were proposed to the key controls, risk indicators and action points for this strategic risk.
18. Corporate and/or political leadership adversely impacting upon service delivery *The position with regards to this risk is **unchanged***	20	**8** **Amber**	No significant changes were proposed to the key controls, risk indicators and action points for this strategic risk.
19. High levels of sickness *Although the residual risk score does not need to change, it was considered that the position with regards to this risk had **improved**.*	16	**6** **Amber**	A new action was added to provide an update to managers on the Attendance Management Policy, including the application of the trigger point mechanism, in a presentation to SMT by the Human Resources Manager in February 2023.
20. Inability to recruit and retain staff with required skills and expertise to meet increasing demands and expectations. *The position with regards to this risk is **unchanged***	20	**12** **Amber**	No significant changes were proposed to the key controls, risk indicators and action points for this strategic risk.
21. Failure to comply with duty as a service provider and employer to groups such as children, the elderly, vulnerable adults etc. *The position with regards to this risk is **unchanged***	20	**6** **Amber**	No changes were proposed to the key controls, risk indicators and action points for this strategic risk.

Risk	Inherent Risk	Residual Risk	Changes
22. Unauthorised access of data *The position with regards to this risk is **unchanged***	20	**6** **Amber**	A new action was proposed to complete the latest SIRO audit with a target date of 31 March 2023. The target date for the action to review and refresh Business Continuity Plans was extended to 31 March 2023.
23. High volumes of employee or client fraud *The position with regards to this risk is **unchanged***	20	**9** **Amber**	No significant changes were proposed to the key controls, risk indicators and action points for this strategic risk.
24. *Failure to achieve commitment of being carbon neutral for the Council's own operations by 2027* *The position with regards to this risk is **unchanged***	20	**12** **Amber**	A new action was added to consider aligning the Medium Term Financial Strategy with the Carbon Management Plan to ensure that appropriate funding available and built into forward financial planning.

APPENDIX 3

EXTRACT OF THE STRATGEIC RISK REGISTER – FEBRUARY 2023 – ENTRIES RELATING TO HIGHEST RATED 'RED' RISKS

Risk 2 - Failure to obtain adequate resources to achieve service objectives

Risk Owner(s)	Inherent Risk	Residual Risk
Deputy Chief Executive Head of Finance Services	20	16

Key Controls
- Medium Term Financial Strategy
- Business Strategy
- Economic Regeneration Strategy
- Commissioning and Procurement Strategy
- Capital Strategy
- Asset Management Strategy
- Energy Procurement Strategy
- Commercial Strategy
- Land Disposals Policy

Risk Indicators
- Formula grant
- Budget gap
- Fuel and energy prices
- Income levels
- Failed bids for external funding
- General economic indicators
- Interest rates

Action Points
1. Review service objectives in response to changing resources
2. Identify and assess external funding opportunities and ensure any accompanying targets are met
3. Investigate and develop opportunities for shared service working
4. Monitor the impact of the collection of business rates upon resources available to the Council
5. Seek the disposal of surplus assets to generate additional capital receipts
6. Be alert to potential funding opportunities for town centre re-generation initiatives.
7. Identify potential budget saving opportunities
8. Maximise income from Commercial Property and Industrial Units.

9. Assess the impact of the transfer of responsibility for land charges from local authorities to HM Land Registry.
10. Work collaboratively with Nottinghamshire local authorities to maximise the recovery of business rates income.
11. Assess the potential outcome of the Fair Funding Review, including proposals for greater localisation of business rates, upon the Council’s finances.
12. Produce a new Commercial Strategy to replace the previous Commercial Strategy 2017-2020.
13. Respond as necessary to the outcome of the ‘Town Deal’ bid for Stapleford.
14. Develop Town Investment Plans for Eastwood and Kimberley.
15. Progress with the delivery of the successful Levelling Up Fund bid for Kimberley.
16. Seek full recovery of the agreed tram compensation claim against Nottingham City Council.
17. Monitor the impact of rising inflation and the cost of living crisis on the Council’s service provision and its financial position.
18. Present an updated Medium Term Financial Strategy and Business Strategy to Cabinet in September/October 2023

Risk 4 - Failure of strategic leisure initiatives

Risk Owner(s)	Inherent Risk	Residual Risk
Deputy Chief Executive	**25**	**20**

Key Controls

- Leisure Facilities Strategy
- Leisure and Culture Service Specification
- Liberty Leisure Limited Business Plan
- External legal advice and support

Risk Indicators

- Results of consultation exercises
- Progress against business plans
- Progress against capital programme
- Events impacting upon joint use agreements
- Visitor numbers at leisure facilities
- Income at leisure facilities
- Financial viability of Liberty Leisure Limited

Action Points

1. Determine future strategy for investment in leisure facilities.
2. Review leisure opportunities arising from major developments.
3. Produce a programme to address the issues identified in the detailed property condition survey at Bramcote Leisure Centre.
4. Utilise external legal advice and support as required.
5. Assess the financial implications and risks associated with two options for a replacement for Bramcote Leisure Centre
6. Establish a cross-party Task and Finish Group to consider options for potential leisure sites in the north and south of Broxtowe.
7. Work with Chilwell School to assess leisure facilities options at Chilwell Olympia Sports Centre and report back to Cabinet.
8. Forward plan any necessary capital repair works anticipated at Bramcote Leisure Centre and to submit, consider and profile the financial impact as part of the Capital Programme.

Risk 10 - Failure of key ICT systems

Risk Owner(s)	Inherent Risk	Residual Risk
Executive Director **Chief Information Officer**	**25**	**15**

Key Controls

- ICT Strategy
- Service agreements
- Systems mainly supplied by external supplier
- Back-up server offsite
- Security Policies
- System availability
- Server virtualisation
- Provision of emergency power supply
- Identification of failure at points of entry
- Shared service arrangements with other local authorities
- Geo-location blocking on the firewall
- Warning, Advice and Reporting Point (WARP) service
- Cyber Security Information Sharing Partnership (CISP)

Risk Indicators

- Viruses
- Computer downtime
- Overrun/failure of overnight processing
- Key financial reconciliation processes
- Customer complaints
- Backlog of works
- Appropriate staffing resources to support key systems
- Number of security incidents

Action Points

1. Monitor implementation of and regularly test the Business Continuity Plan for ICT Services
2. Pursue partnership working initiatives, where appropriate
3. Assess the impact of the National Cyber Security Standard.
4. Complete the relocation of the Backup Server from the Council Offices to Kimberley Depot by 31 March 2023.
5. Address the matters raised by the independent LGA specialist review of the Council's cyber-risk arrangements and key controls.
6. Review and refresh the corporate and departmental Business Continuity Plans by 31 March 2023.

Governance, Audit and Standards Committee **13 March 2023**

Report of the Monitoring Officer

WORK PROGRAMME

1. Purpose of Report

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

2. **Recommendation**

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

3. Detail

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.

22 May 2023	• Review of Code of Conduct • Corporate Governance Arrangements • Annual Constitutional Review • Financial Regulations Review • External Audit Plan 2022/23-Broxtowe Audit Strategy Memorandum • Internal Audit Progress Report.

4. Legal Implications

The terms of reference are set out in the Council's constitution. It is good practice to include a work programme to help the Council manage the portfolios.

Background Papers

Nil.