

ASHFIELD DISTRICT COUNCIL



Council Offices,
Urban Road,
Kirkby in Ashfield
Nottingham
NG17 8DA

Agenda

Audit Committee

Date: **Monday, 16th December, 2019**

Time: **11.00 am**

Venue: **Committee Room, Council Offices, Urban Road,
Kirkby-in-Ashfield**

For any further information please contact:

Lynn Cain

l.cain@ashfield.gov.uk

01623 457317

NOTE:

A 'Treasury Management Training Session' will be taking place in the Committee Room at 10.00am for Audit Committee Members (prior to commencement of the meeting at 11.00am) but all remaining Members are more than welcome to attend.

If you require an adjustment to enable you to participate or access the meeting, please contact the Democratic Services team at least 48 hours before the meeting.

AUDIT COMMITTEE

Membership

Chairman: Councillor Dave Shaw

Councillors:

John Baird
Christian Chapman
Kevin Rostance

Jim Blagden
Arnie Hankin
David Walters

FILMING/AUDIO RECORDING NOTICE

This meeting may be subject to filming or audio recording. If you have any queries regarding this, please contact Members' Services on 01623 457317.

SUMMONS

You are hereby requested to attend a meeting of the Audit Committee to be held at the time/place and on the date mentioned above for the purpose of transacting the business set out below.



Carol Cooper-Smith
Chief Executive

AGENDA

Page

1. **To receive apologies for absence, if any.**
2. **Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests.**
3. **To receive and approve as a correct record the minutes of the meeting of the Committee held on 30th September, 2019.** 5 - 6
4. **Treasury Management Mid-Year Report 2019/20.** 7 - 20
5. **Corporate Risk - Current Position.** 21 - 70
6. **Audit Progress Report.** 71 - 88
7. **Exclusion of the Press and Public.**

A Member of the Cabinet is asked to move:-

“That in accordance with the provisions of Section 100A of the Local Government Act 1972, the press and public be now excluded from the meeting during the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 and 5 of part 1 of Schedule 12A of the Act and in respect of which the Proper Officer considers the public interest in maintaining the exemption outweighs the public interest in disclosing the information.”
8. **Q2 2019/20 Investment Property Performance.** 89 - 102

This page is intentionally left blank

AUDIT COMMITTEE

Meeting held in the Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield,

on Monday, 30th September, 2019 at 10.00 am

Present: Councillor Dave Shaw in the Chair;

Councillors John Baird, Jim Blagden,
Christian Chapman, Arnie Hankin,
Kevin Rostance and David Walters.

Apology for Absence: Helen Brookes (Mazars).

Officers Present: Craig Bonar, Bev Bull, Lynn Cain, Ruth Dennis
and Peter Hudson.

In Attendance: Mandy Marples and Hannah McDonald (CMAP).

AC.10 Declarations of Disclosable Pecuniary or Personal Interests and Non Disclosable Pecuniary/Other Interests

No declarations of interest were made.

AC.11 Minutes

RESOLVED that the minutes of the meeting of the Committee held on 22nd July, 2019, be received and approved as a correct record.

AC.12 Annual Audit Letter 2018/19

Due to the absence of Mazars Audit Manager, Helen Brookes, from the meeting the Council's Corporate Finance Manager (and Section 151 Officer), presented the Annual Audit Letter for 2018/19. The Letter provided a summary of the key findings from the 2018/19 audit of the Council's financial statements and the Value for Money (VFM) conclusion and confirmed the issuing of an unqualified opinion and conclusion in respect of both.

There had been three significant risks identified for consideration as part of the 2018/19 audit in respect of Management Override of Controls, Valuation of Property, Plant and Equipment and Defined Benefit Liability Valuation but no significant issues had arisen as part of the audit work and the relative assurances were duly sought.

Three internal controls were identified as minor issues to be addressed as part of the audit work in relation to Bank Reconciliations, Related Parties and Land Registry and all three recommendations arising from the review had been considered and subsequently agreed by management.

In relation to the VFM conclusion, only two significant recommendations had been identified in relation to the Authority's Medium Term Financial Strategy (MTFS) and its Investments in Commercial Properties. Conclusions had been reached that the Council's MTFS was robust with a steady projected level of reserves and the Council's approach to purchasing commercial properties was fit for purpose and had been strengthened by two recent internal audits.

Committee were also asked to note that the final audit fee had remained as originally proposed at £43,148.

RESOLVED

that the Annual Audit Letter for 2018/19, as presented to Committee, be received and noted.

AC.13 Audit Progress Report

Mandy Marples, CMAP's Audit Manager, presented the report and summarised the audit progress as at 30th September, 2019 with 2 assignments having reached their conclusion during the period in relation to Fire Safety and IT Policy Compliance.

Members were advised that of the 2 completed assignments, the Fire Safety review had resulted in a reasonable assurance with 5 actions being agreed by management. The IT Policy Compliance review had been a substantial, technical piece of work that on completion, had only received a limited assurance. As a result of the outcome, 13 recommendations had been submitted to management which in turn had been accepted with varying dates assigned to each one for completion.

Members took the opportunity to ask questions concerning the outstanding significant and moderate risk recommendations and what actions were being taken by management to escalate and address the issues to ensure compliance as necessary. To conclude, Members were advised that the Council's current status in relation to internal audit compliance was pleasing to see.

RESOLVED

that audit assignment progress as at 30th September, 2019, as presented to Committee, be received and noted.

The meeting closed at 10.45 am

Chairman.

Agenda Item 4



Report To:	AUDIT COMMITTEE	Date:	16TH DECEMBER 2019
Heading:	TREASURY MANAGEMENT MID YEAR REPORT 2019/20		
Portfolio Holder:	COUNCILLOR DAVID MARTIN – CABINET MEMBER (INWARD)		
Ward/s:	ALL		
Key Decision:	No		
Subject to Call-In:	No		

Purpose of Report

This mid-year report has been written to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and covers the following:

- An economic update for the 2019/20 financial year as at 30 September 2019;
- The Council's capital position (prudential indicators);
- The Council's investment portfolio for 2019/20;
- The Council's borrowing position for 2019/20.

Recommendation(s)

- For Audit Committee to note the contents of the report;
- For Audit Committee to note and recommend to Cabinet that they approve the changes to the 2019/20 Prudential Indicators for the Capital Financing Requirement, the Operational Boundary and the Authorised Limit, to reflect the impact of in-year changes to the 2019/20 Capital Programme.

Reasons for Recommendation(s)

In accordance with Council's Financial Regulations the Audit Committee is responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies.

In accordance with the Council's Financial Regulations Cabinet are responsible for the implementation and regular monitoring of Treasury Management policies and practices and are to receive, as a minimum, each year reports setting out the Annual Treasury Management Strategy and Plan for the coming year; a mid-year review and an annual Treasury Management Performance Report.

Alternative Options Considered

None

Detailed Information

1 Background

- 1.1 The Council aims to operate a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 1.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending commitments. This management of longer-term cash may involve arranging long or short-term loans, or the use of longer-term cash flow surpluses, and on occasion, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.3 Accordingly, treasury management is defined as:

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

2 Economics and interest rates to date in 2019/20

- 2.1 In the UK, the first half of the year continued to be impacted by the on-going Brexit uncertainties along with the change in Prime Minister and the uncertainty over when the next general election would be held.
- 2.2 The Monetary Policy Committee (MPC) of the Bank of England maintained the Bank Rate at 0.75%, which has been in effect since 2nd August 2018. It is expected that the MPC will hold off on changes until beyond the December General Election and some clarity on Brexit.
- 2.3 Public Works Loans Board (PWLB) has been the main source of borrowing for the Council. PWLB rates have been on a falling trend during the first six months of the year reaching historic lows. The 50 year PWLB (certainty) rate for new long term borrowing fell from 2.44% on the 1 April to 1.87% by 30 September 2019.
- 2.4 PWLB rates had been based on gilt yields plus 0.80% (80 basis points). On 9 October 2019 the Treasury and PWLB announced an increase in the margin over gilt yields of an additional 1% (100 basis points) on top of the current margin of 0.80% (80 basis points) increasing the cost of borrowing from this source. There was no prior warning that this would happen.
- 2.5 The UK's economy is influenced by UK and worldwide events. A full economic update and interest rate forecast provided by Link Asset Services is included at Appendix 1.

3 The Council's Capital Position (including Prudential Indicators)

3.1 Prudential Indicator for Capital Expenditure

3.1.1 Table 1 below shows the original capital programme for 2019/20 approved by Full Council on the 5th March 2019, the 2019/20 current approved estimates reflecting changes approved to 30 September 2019 and 2019/20 revised estimate.

Table 1 – 2019/20 Capital Expenditure by Service

Capital Expenditure by Service	2019/20 Original Estimate £m	2019/20 Current Approved Estimate £m	2019/20 Revised Estimate £m
General Fund	26.394	53.671	53.473
Area Schemes	0.486	1.363	1.116
HRA - Decent Homes	9.195	9.999	7.207
HRA – Other	1.457	2.069	2.025
Total capital expenditure	37.532	67.102	63.821

3.1.2 The main reason for the increase in General Fund capital expenditure is due to the re-profiling of future years approved investment property expenditure, the 2019/20 planned expenditure has been increased by bringing forward planned 2022/23 expenditure. In addition there was slippage on the 2018/19 capital expenditure which resulted in additional capital expenditure now likely to be incurred in 2019/20.

3.2 Changes to the Financing of the Capital Expenditure

3.2.1 Table 2 below draws together the main strategy elements of the capital expenditure plans (above), highlighting the expected financing arrangements of this capital expenditure. This shows the amounts directly financed (from capital receipts, capital grants and capital reserves) and the unfinanced amount to be met from borrowing. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Table 2 – 2019/20 Financing of the Capital Expenditure

Capital Expenditure	2019/20 Original Estimate £m	2019/20 Revised Estimate £m
Total capital expenditure	37.532	63.821
Financed by:		
Capital receipts	1.180	1.299
Capital grants	2.473	3.167
Capital reserves	9.597	8.166
Total financing	13.250	12.632
Borrowing requirement	24.282	51.189

3.2.2 The 2019/20 borrowing requirement has increased as a result of bringing forward investment property expenditure from 2022/23 to 2019/20 and due to the slippage on capital expenditure in 2018/19 to 2019/20.

3.3 Capital Financing Requirement, Operational Boundary and Authorised Limit

3.3.1 Table 3 below shows the original and revised estimate for the CFR, Operational Boundary and Authorised Limit. The CFR represents the Council's underlying need to borrow for capital expenditure. The Operational Boundary is set to monitor the Council's actual borrowing against it; it is set as a warning for if debt should approach the boundary. The Authorised Limit sets the maximum level of external borrowing that the Council can incur. It reflects the level of borrowing which, while not desired, could be afforded in the short-term, but is not sustainable. It is the Council's expected maximum borrowing need with headroom for unexpected cashflow.

3.3.2 The revised 2019/20 CFR includes the additional capital expenditure for Investment Properties as well as slippage brought forward on schemes from 2018/19. The Operational Boundary has been revised upward to reflect the change in CFR and to include an amount for working capital payments. The Authorised Limit has been increased in line with changes to the Operational Boundary. The difference between the Authorised Limit and the Operational Boundary reflects the worst case scenario of having to borrow to finance the capital programme that is not proposed to be financed through borrowing.

Table 3 – 2019/20 Capital Financing Requirement, Operational Boundary and Authorised Limit

	2019/20 Original Estimate £m	2019/20 Revised Estimate (Adjusted for Slippage) £m
Prudential Indicator – Capital Financing Requirement		
CFR Non-Housing	58.215	88.259
CFR – Housing	80.081	80.081
Total CFR	138.296	168.340
Prudential Indicator – the Operational Boundary for external debt		
Borrowing	140.000	170.000
Other Long Term Liabilities	0.000	0.000
Total debt 31st March	140.000	170.000
Prudential Indicator – the Authorised Limit for external debt		
Borrowing	150.000	180.000
Other Long Term Liabilities	0.000	0.000
Total debt 31st March	150.000	180.000

3.4 2019/20 Estimate of the Ratio of Financial Cost to Net Revenue Stream

3.4.1 Table 4 shows the estimate of ratio of financial cost to net revenue stream for 2019/20 for the Housing Revenue Account and General Fund. Financing costs are Minimum Revenue Provision (MRP) charges and external interest payable.

Table 4 – 2019/20 20 Estimate of the Ratio of Financial Cost to Net Revenue Stream

	Original 2019/20 Estimate %	Revised 2019/20 Estimate %
Housing Revenue Account	13.99	14.21
General Fund	12.33	11.08

3.4.2 The change to the General Fund estimate is mainly due to slippage on the 2018/19 capital programme which has resulted in lower Minimum Revenue Provision charges in 2019/20.

3.5 2019/20 Estimate of the Incremental Impact of Financial Cost to Net Revenue Stream

3.5.1 Table 5 shows the estimate of the incremental impact of capital investment decisions on the Council Tax and Rent Levels

Table 5 – 2019/20 Estimate of the Incremental Impact of Financial Cost to Net Revenue Stream

	Original 2019/20 Estimate £	Revised 2019/20 Estimate £
General Fund (Band D)	27.42	45.78
HRA (52 Weeks)	0	0

3.5.2 The change to the General Fund estimate is mainly due to the inclusion of the additional £20m for Investment Properties that was previously scheduled to be included in 2022/23 and slippage from the 2018/19 Capital Programme.

4. Investment Portfolio 2019/20

4.1 In accordance with the Code, it is the Council's priority to ensure security of Capital and liquidity to obtain an appropriate level of return, which is consistent with the Council's risk appetite. It is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are still very low and in line with the 0.75% Bank of England Base Rate. The average investment portfolio yield for all investments in the first six months of the year is 0.65%.

4.2 Call Accounts

4.2.1 Table 6 below shows the Council held £3.719m of call account investments as at 30 September 2019 (£0.300m at 31 March 2019), the movement is due to higher cash balances in year compared to at year end, this is a result of council tax being collected over 10 months, so cash receipts falls in the final two months of the year. The average interest rate achieved across all call account counterparties in the first six months of the year is 0.51%.

Table 6 – Call Accounts as at 30/09/2019

Borrower	Balance at 30/09/19 £m

Barclays Bank	0.169
Handelsbanken	3.550
Total Call Accounts	3.719

4.3 Money Market Funds (MMF)

4.3.1 The Council currently has two Low Volatility Net Asset Value (LVNAV) Money Market Funds. This means that the value of the shares that the Council holds in these funds may go down as well as up. However, it is unlikely that there will be a change in the price of the MMF shares between the prices paid and monies received when the shares are sold. Table 7 below shows the Council held £6.450m of MMF investments as at 30 September 2019 (£2.084m at 31 March 2019) the movement is due to higher cash balances in year compared to at year end, this is a result of council tax being collected over 10 months, so cash receipts falls in the final two months of the year. The average interest rate achieved across MMF in the first six months of the year is 0.69%.

Table 7 – MMF's as at 30/09/2019

Borrower	Balance at 30/09/19 £m
Aberdeen Standard Liquidity – Money Market Fund	5.000
Insight Investments – Money Market Fund	1.450
Total Call Accounts	6.450

4.4 Fixed Term Deposits

4.4.1 Table 8 below shows the activity for fixed term deposits to 30th September 2019. The average interest rate achieved across Fixed Term Deposits in the first six months of the year is 0.76%. At the end of September, the Council had two fixed term deposits, one with Thurrock Council for 364 days and one with Suffolk Council for 3 months.

Table 8 - Fixed Term Deposits 30/09/2019

Opening Balance 01/04/19 £m	No. of investments	New Investments Apr-Sept £m	No. of investments	Repayments Apr-Sept £m	No. of investments	Closing Balance 30/09/19 £m	No. of investments
5.000	1	9.000	5	10.000	4	4.000	2

4.5 The Council's budgeted investment return for 2019/20 is £35k and performance for the half year to 30 September 2019 is £40k, which comprises £7k from call accounts, £25k from MMF and £8k from fixed term deposits. The estimated full year outturn is £63k. (£28k additional interest above budget).

4.6 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2019/20. The current investment counterparty criteria selection, approved in the Treasury Management Strategy, is meeting the requirement of the treasury management function.

5 Borrowing Position

- 5.1 The borrowing activities undertaken during the year to 30 September 2019 are summarised below:

Type of Loan	As at 31 March 2019 £m	Borrowed £m	Repaid £m	As at 30 Sept 2019 £m
Fixed PWLB	41.248	6.000	7.012	40.236
Mortgage Loans – LOBO	25.500	0	0	25.500
Fixed Market Loans -	15.000	0	0	15.000
Total External Debt	81.748	6.000	7.012	80.736

6 Investment Properties

- 6.1 As at the 1st April 2019 the Council had spent £23.749m on investment properties. During 2019/20 it disposed of one property, initially purchased for £4.334m and purchased two other properties for £16.828m. The total net expenditure to date on investment properties is £36.243m. These investment properties are expected to generate £2.851m gross rental income per annum which is a gross yield of 7.9%. The CFR and therefore MRP charges have increased as result of activity in investment properties.

7 Glossary of Terms

Call Accounts

A bank account for investment funds it has no fixed deposit period, provides instant access to funds and allows unlimited withdrawals and deposits.

Consumer Price Index (CPI)

The official measure of inflation of consumer prices of the United Kingdom.

Fixed Tern Deposits

This is where an agreed monetary amount is placed with a counterparty for an agreed fixed period.

Gross Domestic Product (GDP)

This is the monetary value of all the finished goods and services produced by a country within its borders in a specific time period, usually a year.

LIBID

The London Interbank Bid Rate, that is, the interest rate at which banks bid to take short-term deposits from other banks.

Monetary Policy Committee (MPC)

This is a committee of the Bank of England which decides the official interest rate in the UK (the Bank of England Base Rate) and also directs other monetary policy such as quantitative easing and forward guidance.

Money Market Fund (MMF)

Pooled funds which invest in a range of short term assets providing high credit quality and high liquidity.

Public Works Loan Board (PWLB)

The PWLB is a statutory body operating within the UK Debt Management Office to lend money from the National Loan Fund to local authorities and to collect the repayments.

Quantitative Easing (QE)

An unconventional form of monetary policy where a Central Bank creates new money electronically to buy financial assets, like government bonds. This process aims to directly increase private sector spending in the economy and return inflation to target.

Retail Price Index (RPI)

A measure of inflation by measuring changes in the price levels of a sample of representative goods and services purchased by households. They use different items and different formulae for the calculations which means that CPI is often lower than RPI.

y/y

Year on year is a method of evaluating two or more measured events to compare the results of one time period with those of a comparable time period on an annualised basis.

Implications

Corporate Plan:

Corporate Plan: Effective treasury management and investment in properties is providing an income stream to support delivery of the key services within the Corporate Plan to our residents.

Legal:

Requirement to adhere to the CIPFA Prudential Code. Ensures compliance with Financial Regulations.

Finance:

Budget Area	Implication
General Fund – Revenue Budget	The General Fund Investment Income is expected to be £28k greater than budget
General Fund – Capital Programme	No significant implications
Housing Revenue Account – Revenue Budget	No significant implications
Housing Revenue Account – Capital Programme	No significant implications

Risk:

Risk	Mitigation
Loss of invested funds	Spread of investments within portfolio and adherence to Treasury Management Strategy including limits and Prudential Indicators
Risk that the investment properties become void or fall in value	Spread of assets within the portfolio and a reserve to cushion any void periods.

Human Resources:

Not applicable

Equalities:

Not applicable

Other Implications:

Not applicable

Reason(s) for Urgency

Not applicable

Reason(s) for Exemption

Not applicable

Background Papers

Link Asset Services – Treasury Management Strategy Statement and Annual Investment Strategy
Mid-Year Review Report 2019/20.

Report Author and Contact Officer

Pete Hudson

Corporate Finance Manager (and Section 151 Officer)

p.hudson@ashfield.gov.uk

01623 457362

Economic Update provided by Link Asset Services

The United Kingdom (UK) is part of a global economy and, as a result, is affected not only by events at home but also by events overseas. The information below provides a brief update on the UK economy and the wider global economy.

UK. This first half year has been a time of upheaval on the political front as Theresa May resigned as Prime Minister to be replaced by Boris Johnson on a platform of the UK leaving the EU on or before 31 October, with or without a deal. MPs rejected the fast tracked timetable for the Brexit Bill on 22nd October 2019 which is likely to lead to a further extension.

The first half of 2019/20 has seen UK **economic growth fall** as Brexit uncertainty took a toll. In its Inflation Report of 1 August, the Bank of England was notably downbeat about the outlook for both the UK and major world economies. This mirrored investor confidence around the world which is now expecting a significant downturn or possibly even a recession in some developed economies. It was therefore no surprise that the Monetary Policy Committee (MPC) left the Bank Rate unchanged at 0.75% throughout 2019, so far, and is expected to hold off on changes until there is some clarity on what is going to happen over Brexit.

As for **inflation** itself, CPI has been hovering around the Bank of England's target of 2% during 2019, (July 2.1%), and is likely to shift only a little upwards over the rest of 2019/20. It does not therefore pose any immediate concern to the MPC at the current time.

With regard to the **labour market**, despite the contraction in quarterly GDP growth of -0.2%q/q, (+1.2% y/y), in quarter 2, employment rose by 115,000 in the same quarter: this suggests that firms are preparing to expand output and suggests there could be a return to positive growth in quarter 3. Wage inflation picked up to a high point of 3.9%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates higher than CPI inflation), earnings grew by about 1.8%. As the UK economy is very much services sector driven, an increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This could mean that the MPC will need to take action to raise Bank Rate if there is an agreed Brexit deal as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

USA. President Trump's massive easing of fiscal policy in 2018 fuelled a temporary boost in consumption in that year which generated an upturn in the rate of strong growth to 2.9% y/y. Growth in 2019 has been falling back after a strong start in quarter 1 at 3.1%, (annualised rate), to 2.0% in quarter 2. Quarter 3 is expected to fall further. The Fed finished its series of increases in rates to 2.25 – 2.50% in December 2018. In July 2019, it cut rates by 0.25% as a 'midterm adjustment' but flagged up that this was not to be seen as the start of a series of cuts to ward off a downturn in growth. Rates were further cut in September by 0.25%.

Investor confidence has been badly rattled by the progressive ramping up of increases in tariffs President Trump has made on Chinese imports and China has responded with increases in tariffs on American imports. This trade war is seen as depressing US, Chinese and world growth. In the EU, it is also particularly impacting Germany as exports of goods and services are equivalent to 46% of total GDP. It will also impact developing countries dependent on exporting commodities to China.

EUROZONE. Growth has been slowing from +1.9% during 2018 to +0.4% q/q (+1.2% y/y) in quarter 1 and then to +0.2% q/q (+1.0% y/y) in quarter 2; there appears to be little upside potential to the growth rate in the rest of 2019. German GDP growth fell to -0.1% in quarter 2; industrial production was down 5.2% y/y in June with car production especially being hit. Germany would be particularly vulnerable to a no deal Brexit depressing exports further and if President Trump imposes tariffs on EU produced cars.

The European Central Bank (ECB) meeting in July expressed concern as to the weak outlook for growth and how low inflation was despite all the monetary stimulus the bank still has in place. The ECB is therefore expected to take action to cut its main rate of -0.4% further, but only marginally, and to look at the potential for more quantitative easing and/or other instruments of monetary policy to provide further stimulus to economic growth. On the political front, Spain and Italy are in the throes of trying to form coalition governments while the very recent results of two German state elections will put further pressure on the frail German CDU/SDP coalition government.

CHINA. Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. The trade war with the US does not appear to have had a significant effect on GDP growth as yet as some of the impact of tariffs has been offset by falls in the exchange rate and by transshipping exports through other countries, rather than directly to the US.

JAPAN - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy.

1.1.2 Interest Rate Forecasts

The Council's treasury advisor, Link Asset Services, has provided the following forecast:

Link Asset Services Interest Rate View											
	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25
3 Month LIBID	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20
6 Month LIBID	0.80	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40
12 Month LIBID	1.00	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60
5yr PWLB Rate	1.20	1.30	1.50	1.60	1.70	1.70	1.80	1.90	2.00	2.00	2.10
10yr PWLB Rate	1.50	1.60	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
25yr PWLB Rate	2.10	2.30	2.40	2.50	2.60	2.70	2.70	2.80	2.90	3.00	3.00
50yr PWLB Rate	2.00	2.20	2.30	2.40	2.50	2.60	2.60	2.70	2.80	2.90	2.90

It has been little surprise that the Monetary Policy Committee (MPC) has left the Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit. In its last meeting on 1 August, the MPC became more dovish as it was more concerned about the outlook for both the global and domestic economies. That is shown in the policy statement, based on an assumption that there is an agreed deal on Brexit, where the suggestion that rates would need to rise at a “gradual pace and to a limited extent” is now also conditional on “some recovery in global growth”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. If there were a no deal Brexit, then it is likely that there will be a cut or cuts in Bank Rate to help support economic growth.

The above forecasts have been based on an assumption that there is some sort of muddle through to an agreed deal on Brexit. Given the current level of uncertainties, this is a huge assumption and so forecasts may need to be materially reassessed in the light of events over the next few weeks or months.

1.13 The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are currently a little below those to the downside.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the **Eurozone sovereign debt crisis**, possibly **Italy**, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March 2018 of a government which has made a lot of anti-austerity noise.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government and Other minority EU governments.** Germany, Sweden, Spain, Portugal, Netherlands and Belgium all have vulnerable minority governments dependent on coalitions, which could prove fragile.
- **Italy, Austria, the Czech Republic and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- The increases in interest rates in the US during 2018, combined with a trade war between the USA and China, sparked major volatility in equity markets during the final quarter of 2018 and into 2019. In mid-2019, investor fears of a looming recession have again sparked moves by investors out of riskier assets i.e. equities, into safe havens of government bonds of major western countries. Some **emerging market countries**, which have borrowed heavily in dollar denominated debt, could be particularly exposed to investor flight from equities to safe havens, typically US treasuries, German bunds and UK gilts.
- There are concerns around the level of **US corporate debt**, which has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings, which will increase their cost of financing and further negatively impact profits and cash flow.
- **Geopolitical risks**, for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – If the revised Withdrawal Agreement is successful, this could remove some threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- **UK inflation**, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields

This page is intentionally left blank

Agenda Item 5



Report To:	Audit Committee	Date:	16th December 2019
Heading:	CORPORATE RISK – CURRENT POSITION		
Portfolio Holder:	COUNCILLOR SAMANTHA DEAKIN, PORTFOLIO HOLDER FOR CUSTOMER SERVICES AND IT		
Ward/s:	ALL		
Key Decision:	NO		
Subject to Call-In:	NO		

Purpose of Report

For Audit Committee to review the Corporate Risk Register, the analysis of movement in risk and mitigating actions in respect of those risks.

Recommendation(s)

Audit Committee are asked to note the current significant items on the Register and to consider whether any further immediate actions are necessary to mitigate those risks.

Audit Committee are asked to note the proposed changes to the Corporate Risk Strategy prior to seeking Cabinet approval.

Reasons for Recommendation(s)

To prioritise and manage the mitigation of Risk in order that the Council can achieve its objectives.

Updates to the Corporate Risk Strategy in 2018 were considered appropriate in order to facilitate greater understanding of risk maturity and improved organisational performance against the Alarm national performance model for risk management in public services, as suggested by Internal Audit. This is also highlighted as an improvement action in the Annual Governance Statement. We are continuing to develop our approaches to understanding risk appetite.

The Corporate Risk Strategy has recently been reviewed following the outcome of audit recommendations. See Appendix 1.

Alternative Options Considered

None

Detailed Information

Context/Background

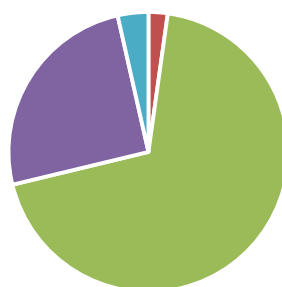
All strategic risk at corporate and service level is incorporated into the Pentana performance system to enable quarterly updates at the same time as updating performance, therefore enhancing the consideration of risk in the delivery of services.

All levels of risk are discussed bi-annually in detail with each service manager as a standing agenda item for Performance Boards, led by the Chief Executive and Assistant Director – Resources and Business Transformation.

Corporate Risk Strategy

- The Corporate Risk Strategy was reviewed early in the 2018/19 financial year in order to ensure that it continues to meet the needs of the organisation and aligns with the Public Risk Management Association model known as “The Alarm national performance model for risk management in public services” . This model is comprehensive and focuses on seven strands of risk management activity, by which the organisation can measure current performance against recognised achievement levels for each of the seven strands. The model provides the basis for clear performance indicators and acts as a catalyst for improved risk management performance within the organisation. It will also inform assurance in corporate governance terms and the further embedding of risk management across the organisation. Four membership subscriptions to ALARM have been purchased and this will allow for the access to training and development resources which will be used in a rolling program to embed risk management across the organisation.
- The Improvement and Project Officer from Resources and Business Transformation has visited every DMT to discuss managing risks using the ALARM model. In March 2019, this was further embedded as the Midlands Chair of ALARM presented a session to the Extended Leadership Team in relation to managing risk using the ALARM model.
- A recent evaluation of the management of risks across the Council was undertaken in order to understand the levels that risk is currently being managed. The ALARM model encourages a risk culture over the entire organisation and it is clear from the below that there is still much more work to do in order to delegate risk management to other levels within the Council. This will be addressed with the roll out of a risk management training program using the resources that is available from ALARM. Discussion at DMTs will be undertaken to strengthen the delegation of risk management.

Risks Managed by Tier



■ 1st Tier ■ 2nd Tier ■ 3rd Tier ■ 4th Tier ■ Below 4th Tier

Corporate Risk Register

The most up to date Corporate Risk Register (position as at 5th December, 2019) is attached at Appendix 2

Risk Rating Summary

	2013/14 Qu 4	2014/15 Qu4	2015/16 Qu4	2016/17 Qu4	2017/18 Qu4	2018/19 Qu4	2019/20 Qu2
Significant	15	10	10	9	7	4	9
Medium	11	9	7	6	10	10	5
Low	8	7	5	2	3	6	8
Total	34	26	22	17	20	20	22

The identification of those risks with a high ability to influence should enable Audit Committee to review progress against those areas of risk where mitigation has not been achieved.

Corporate Leadership Team have regularly reviewed the authority's key risks, most recently in alignment with the new Corporate Plan. As a result, during the last 12 months, a couple of low risks have been lowered from corporate to service level (loss of Capita financial services and PCI compliance) whilst 9 new risks have been added to the register:-

- New Kirkby leisure centre risks (3) – 2 x low and 1 x medium rating
- Sustainability of HRA business plan – medium rating
- Loss of planning appeals – increased from medium to significant rating
- Town centre funding, inability to deliver – significant rating
- Inability to deliver Big Spring Clean – low rating
- Workforce planning – significant rating
- Brexit, lack of policy decisions – low rating

The total number of Corporate Risks has therefore increased slightly. There has also been a corresponding increase in significant risks.

Those significant risks are (* mitigatable, and remained significant over last 12 months):-

- Introduction of universal credit
- Failure to have adopted Local Plan
- Loss of planning appeals
- Town centre funding, inability to deliver
- Government Waste Strategy targets unattainable *
- Failure to make required savings identified in MTFs *

- Ethical framework *
- Level of Central Government funding 2020 onwards
- Workforce Planning

Risk Audit Update

An Internal Audit of risk was undertaken in 2019, the recommendations were:-

- Corporate Leadership Team and Audit Committee review the Council's corporate risks in accordance with the quarterly time frequency stipulated within the Corporate Risk Management Strategy and Process document. Regular review and monitoring of risks is fundamental to embedding a risk management framework and culture along with a commitment to ensuring the risk process is continuous and high-profile. *Corporate risk is now scheduled as a quarterly tracker item for CLT consideration. It is suggested for bi-annual reporting to Audit Committee, the Corporate Risk Strategy has been amended in accordance.*
- Senior Council Officers and Elected Members should actively scrutinise and challenge the identified risks on the Council's Corporate Risk Register. The discussions that take place as part of that process should be minuted accordingly with sufficient detail provided which evidences that corporate risks are subject to the appropriate degree of scrutiny afforded to identify risks which could impact on the delivery of the Council's strategic objectives. *More detailed minutes of discussion and action at CLT are now minuted.*
- The Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability. *The most appropriate and relevant approaches to understand risk appetite are being determined. We recognise that specific key projects or corporate activity, such as commercial investment, have a level of risk appetite integral to decision making.*
- A formal procedure is established and documented within the Corporate Risk Management Strategy and Process, which ensures that those risks identified outside of the typical process for identifying and escalating potential risks are captured for discussion and decision by CLT, i.e. Council committees. *The Performance Boards specifically discuss all levels of risk on a bi-annual basis. This procedure has now been incorporated into the Corporate Risk Strategy.*
- In accordance with the ALARM best practice guidance, all Council Members should receive training on risk management. Given that all Elected Members, Council, Cabinet and Audit Committee have specific responsibilities in respect of the Council's risk management framework, it is important that Members are appropriately trained such that they are able to actively support the Council in its management of risks and also challenge and scrutinise the Council's risk position. Evidence of the training given to Members should be retained. *Risk Management training is currently being reviewed by the Democratic Services Manager.*

Implications

Corporate Plan:

Effective risk management will enable the delivery of corporate and service level priorities, particularly ensuring our people, structures, systems, processes and practices are 'fit for purpose' and remove barriers to improvement and growth.

Legal:

No direct legal implications

Finance:

Budget Area	Implication
General Fund – Revenue Budget	There may be resource implications to the improvement or mitigation of risk. Financial risks are incorporated into the Corporate Risk Register.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation
Lack of an effective risk management framework could result in the organisation having a poor understanding of the major obstacles or blockages that could potentially impact upon its ability to maximise the delivery of its objectives and provision of services to customers	<ul style="list-style-type: none">• Make risk management part of normal business and therefore incorporate within all decision making processes, including key project delivery.• Integrate risk management into the culture of the Council and cascade awareness through all levels of leadership and beyond.• Ensure the organisation has a clear understanding of its risk maturity level and is taking steps towards improving this to a desired level.

Human Resources:

There is a need to ensure that service managers are clear with regards to the Corporate Risk Strategy and the requirement to follow the consistent processes contained therein. Risk Management training is a priority and refresher training is currently being scheduled for Members and Officers.

Equalities:

No direct implications

Other Implications:

None

Reason(s) for Urgency

Not applicable

Reason(s) for Exemption

Not applicable

Background Papers

Corporate Risk Strategy – updated December 2019
Detailed Corporate Risk Register – Quarter 2 2019/20

Report Author and Contact Officer

Jo Froggatt, Assistant Director –Corporate Services and Transformation
01623 457328
j.froggatt@ashfield-dc.gov.uk

Carol Cooper-Smith
INTERIM CHIEF EXECUTIVE



Corporate Risk Management Strategy & Process

Version	Date	Status (draft, approved, signed off)	Author	Change Description
V1.0	16/04/18	draft	C Clarke	Updated in line with Alarm model
V2.0	18/04/18	Revised draft	C Clarke	Changes to text & graphics
V3.0	24/04/18	Revised draft	C Clarke	Change to risk matrix
V4.0	25/04/18	Final Draft	C Clarke	Additional inclusions in Appendices
V5.0	18/05/18	Final	C Clarke	Variation to matrix
V6.0	05/12/19	Final	J Froggatt	Revisions following audit recommendations
Approved for submission to Sponsor, given by				Date
Sponsor sign off to proceed with project identification, given by				Date

Distribution List

Name	Organisation	Job title / Dept.

Contents

Ashfield District Council Risk Management Strategy - Introduction	3
Implementing a risk management process	7
Conclusion	11
Appendix 1 – The risk management process	12
Appendix 2 – Business Planning Template.....	22
Appendix 3 – The Risk Register & Action Plan Template	23

1. Ashfield District Council Risk Management Strategy - Introduction

1.1 Philosophy and aims

Our philosophy:

Ashfield District Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. Ashfield District Council will ensure that the resources and support is available to assist managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption and application of this strategy will deliver success in delivering services to the customers of Ashfield District Council.

1.2 Purpose

The purpose of this risk strategy document is to set out in clear simple terms how risk management will be managed within Ashfield District Council and become embedded in the culture.

It therefore aims to:

- Develop risk management and raise its profile across the Council, and ensure that risk management becomes a living tool.
- Make risk management part of normal business and therefore incorporated within all decision making processes.
- Integrate risk management into the culture of the Council.
- Ensure that all risks are managed in accordance with best practice.
- Create effective processes that will allow risk management assurance statements to be made annually.

1.3 What is risk management?

Risk definition: Risk is uncertainty of outcome. The delivery of an organisation's objectives is surrounded by uncertainty which both poses threats to success and offers opportunity for increasing success. Risk is defined as this uncertainty of outcome, whether positive opportunity or negative threat, of actions and events

Risk Management can be defined as:

“Risk management is the process of identifying risks, evaluating their probability and potential consequences and determining the most cost effective methods of controlling and /or responding to them. It is not an end in itself. Rather, risk management is a means of maximising opportunities and minimising the costs and disruption to an organisation caused by undesired events” ‘Risk Management – A Key to Success,’ published by ALARM

Risk management therefore is essentially about identifying all the obstacles and weaknesses that exist within the Council. A holistic approach is vital to ensuring that all elements of the organisation are challenged including our

decision making processes, work with partners, consultation processes, existing policies and procedures as well as the effective use of all assets – including our staff. Once the obstacles have been identified the next stage is to prioritise them to identify the key obstacles facing the Council and to help the organisation to effectively deliver services to our customers. Once risks have been identified and prioritised it is essential that steps are taken to then effectively manage those key obstacles / risks. This will ensure that major obstacles or blockages that exist within the organisation can be mitigated to provide the council with a greater chance of being able to maximise the delivery of its objectives and provision of services to our customers.

Risk management will be used as a strategic tool and an essential part of effective and efficient management and planning within the organisation.

1.4 Risk Management policy statement

Risk is the chance of something happening that will have an impact on what we set out to achieve.

Risk management is the process for dealing with this effectively – identifying, evaluating, prioritising and mitigating the risks. It is not an end in itself. Effectively managing our risks means that we can maximise opportunities and minimise the costs and disruption to the Council caused by undesired events.

Risk appetite is the “amount and type of risk that an organization is prepared to pursue, retain or take”. This is reviewed annually alongside this framework.

As an organisation we have identified our strategic risks and have a process in place to control and monitor them. We regularly review them (at least annually) to ensure that the corporate risk register remains up-to-date. We also have a system in place to identify project and operational risks at an early stage and again to control and monitor them effectively.

The aim is to manage risk rather than to eliminate it. Too little attention to the control of risk will lead to unnecessary losses and poor performance. An overzealous approach to risk control can stifle creativity and service delivery and may mean that opportunities for improvement are missed. Successful risk management means getting the balance right, thereby making the best use of available resources. We identify actions to reduce negative risks to an agreed acceptable level and this is monitored via the risk register.

The management of risk should not be viewed in isolation; it forms an integral part of the Council’s business. The risk management process forms part of the service planning framework. In addition risk management techniques can be used when considering new service delivery methods or policy options. Much risk management already takes place intuitively.

There is clear ownership of risks at all levels within the authority and we expect partner organisations and contractors to have suitable risk management arrangements.

1.5 Why do we need a risk management strategy?

Risk management will, by aligning to the business planning and performance management processes, strengthen the ability of the Council to achieve our objectives and enhance the value of the services we provide.

Also, Risk Management will, by aligning to the Business Continuity processes, strengthen the ability of the Council to react to all situations and protect its own interests and those of the district, ensuring essential service delivery.

However it is also something we are required to do, for example:

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The framework requires us to establish and maintain a systematic strategy, framework and processes for managing risk.
- Risk management was a key discipline identified in the Organisational Assessment, particularly looking at whether an authority has assessed the risks inherent in its corporate and service plans. This requirement has now been removed, however, is recognised as good practice.
- Risk management is now considered standard practice in both the public and private sectors.
- To meet our statutory obligations such as Civil Contingencies Act, providing emergency response and planning and providing for emergency assistance.

1.6 Benefits of risk management

Successful implementation of risk management will produce many benefits for the Council if it becomes a living tool. These include:

- Increased chance of achieving strategic objectives as key risks are identified and minimised.
- Achieves buy-in to risk (and action) for officers and members.
- An organisation can become less risk averse (because you understand risks).
- Improved performance, accountability and prioritisation - feeds into and aligns with the performance management framework.
- Better governance can be demonstrated to stakeholders.
- Control and mitigation of business continuity risk

1.7 Link to Corporate Objectives

Adequate risk management arrangements link to the authority's **Innovate and Improve** priority. However, the minimisation of risks also enables all of the council's priorities to be achieved. The identification of risk relating to the achievement of performance and improvement is a key aspect of the performance management framework

1.8 Risk appetite

The ISO 31000 risk management standard refers to risk appetite as the:

"Amount and type of risk that an organization is prepared to pursue, retain or take".

This is reviewed annually by CLT alongside the review of this framework and the corporate risk register.

The appropriate level will depend on circumstances and must be appropriate given our corporate objectives. For example, where public safety is involved our appetite will tend to be low, while for an innovative project that is a key part of our transformation programme, it may be higher, recognising that there will be uncertainty and the potential for things to go wrong but the potential rewards will be higher too.

1.8.1 Risk appetite categories

Averse: Avoidance of risk and uncertainty; minimal exposure to risk preferred; consequently likely to be low potential for reward / achieving a stretching objective; corresponding risk score = **low**

Cautious: Preference for safe options with a low to medium degree of risk only; again this is likely to consequently reduce the potential for reward / achieving a stretching objective; tight controls in place; corresponding risk score = **low to medium**

Open: Willing to consider all potential options and choose the one most likely to achieve the objective, while also providing an acceptable level of reward and value for money; balanced approach recognising that things may go wrong but we will learn from them; corresponding risk score = **medium**

Hungry: Eager to be innovative and to choose options offering potentially higher rewards, despite greater inherent risk; willing to tolerate uncertainty and accept possibility of significant loss; corresponding risk score = **high**

Risk Tolerance: This can be interpreted as an organization's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives.

2. Implementing a risk management process

This section covers the implementation of the risk management process within the Council. In order to implement risk management within the Council managers and staff need to become familiar with, and have guidance on, the:

- risk management process,
- roles and responsibilities of officers and members,
- reporting and monitoring.

2.1 The Risk Management Cycle



Implementing the strategy involves adopting a systematic and robust process. The following risk management cycle describes the processes that should be followed.

Step 1 Identifying risks facing the Council.

The identification of risks is derived from both a 'top down' (corporate planning) and a 'bottom up' (operational/business continuity level) process of risk assessment resulting in coverage of the whole Council.

Step 2 Analysing the risks

The risks are analysed and reported in a corporate standard format. (See Appendix 3)

Step 3 Prioritising the risks

The process then prioritises the risks resulting in a focus on the key risks and priorities i.e. those risks most likely to happen and with the greatest impact

Step 4 Managing of the risks through action plans

The risks are then managed through the development of appropriate risk management action plans. The Corporate standard template incorporates risk identification and action planning. This is managed through the performance management software "Pentana".

Step 5 Monitoring of the action plans and the risks

Risks are managed through the performance management framework at least once every six months, whilst monitoring the delivery of the service and corporate action plans. The information is held in the performance management software "Pentana".

The cycle is continuous and should be followed on a regular basis.

The risk management process is described in detail in Appendix 1.

2.2 Roles and Responsibilities

The successful management of risk is a collective responsibility for all Members and employees. The council has a duty to the community to manage its resources economically, efficiently and effectively.

It is the responsibility of **all Elected Members** to be aware of the risk management implications of their actions, decisions and public statements. All decision making reports include a section identifying any key risks. Elected Members can ask for these and any other risks which they have identified to be fed into the Council's risk process e.g. an operational risk may be passed to the service manager to lead on, a strategic risk may be passed to Audit & Governance Committee and/or Cabinet to debate.

It is the responsibility of **Cabinet Members**:

- To agree an effective strategy and framework to manage risks within the Council
- To set the Council's risk appetite in conjunction with senior managers and the Audit & Governance Committee
- To receive exception reports on risk management (focused at the strategic level) as part of the established quarterly monitoring and to recommend action where necessary
- To agree the Council's response to its highest risks i.e. doing what is practicable to reduce the risk, whilst not using a disproportionate amount of resource
- To formally consider risk management implications when making decisions
- To hold the Audit & Governance Committee and CMT accountable for the effective management of risk
- Monitoring the Council's risk management and internal control arrangements via annual reports to Cabinet, and regular Priority Theme Board Programme Highlight reports

- Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publishing it in the annual Statement of Accounts.

The **Leader of the Council** is the Cabinet lead on risk management issues. It is their responsibility to promote awareness of potential risk implications at Cabinet level. For example, to pay particular attention to the risk elements in decision making reports; to be available to colleagues to discuss risks; to be satisfied that the risk arrangements are in place and working well; to present the quarterly risk information to Scrutiny & Cabinet.

It is the responsibility of the **Audit & Governance Committee**:

- To have an overview of risk management in the Council
- To carry out an annual review of the risk management framework, including the risk appetite, and to recommend it to Cabinet for approval
- To carry out an annual review of the strategic risk register and to recommend it to Cabinet for approval

Corporate Leadership Team (CLT)

The Corporate Leadership Team is pivotal in leading the promotion and embedding of risk management within the Council. In addition they have an important role in identifying and managing risks.

Corporate Leadership Team's key tasks are:

- Recommending to Cabinet the Corporate Risk Management Strategy and its subsequent revision.
- actively being involved in the assessment and management of risks on a biannual basis, at Corporate strategic level
- being actively involved in the identification, assessment and management of risks within their directorates as part of the service planning process.
- supporting and promoting risk management throughout the Council,
- support the Risk Management Sponsor

Risk Management Sponsor – Strategic Planning Risk

The Risk Management Sponsor (Strategic Planning Risk) will lead the championing and embedding of strategic risk management and drive its implementation within the Council. This role is part of the duties of the Service Manager – Corporate Services and Transformation.

Responsibilities will include:

- compile, and report **quarterly** (from Pentana), to CLT all corporate risks, including the risks escalated up from the Directorate level, and lead their identification, assessment and management of strategic risks on a biannual basis
- produce an annual report to Cabinet on the progress of strategic risk management, the risks, and action in managing them,
- **produce a bi-annual report to Audit Committee**
- support and advise the CLT on strategic risk management issues

- communicate the benefits of effective strategic risk management to all members of Ashfield District Council
- ensure the alignment of risk within strategic planning and performance and improvement processes
- ensure all levels of risk are discussed and reviewed at Performance Boards, including the identification of new risks.

Service Managers

- To have an overview of risk management in the Council at officer level
- To contribute to the annual review of the risk management framework, including risk appetite
- To ensure that the Council's risk management framework is applied in their service areas by identifying, assessing, reporting and monitoring risks and setting risk appetites
- To contribute to the management of strategic risks in support of CLT

It is the responsibility of **Project leads**:

- To ensure that the Council's risk management framework is applied to their project by identifying, assessing, reporting and monitoring risks and setting the risk appetite
- To exception report via reporting at intervals agreed with the Project Sponsor.

All Employees

- To be aware of the Council's risk management framework
- To have an understanding of the risks that arise within their area of work
- To participate in risk management training as appropriate
- To challenge practices, identify new ways of doing things and be innovative
- To learn lessons from risk management rather than apportion blame and to concentrate at least as much on how risks have been managed in any given situation rather than just the outcome if something goes wrong

2.3 Reporting and monitoring

The responsibility for monitoring and reviewing the corporate risk is the responsibility of the Corporate Leadership Team who is required to do this biannually.

Service Risk Registers in Pentana should be reviewed as a minimum quarterly by the respective Service Manager.

Service Directors are responsible for escalating risks, those above the risk tolerance line to the Corporate Leadership Team who will determine if they

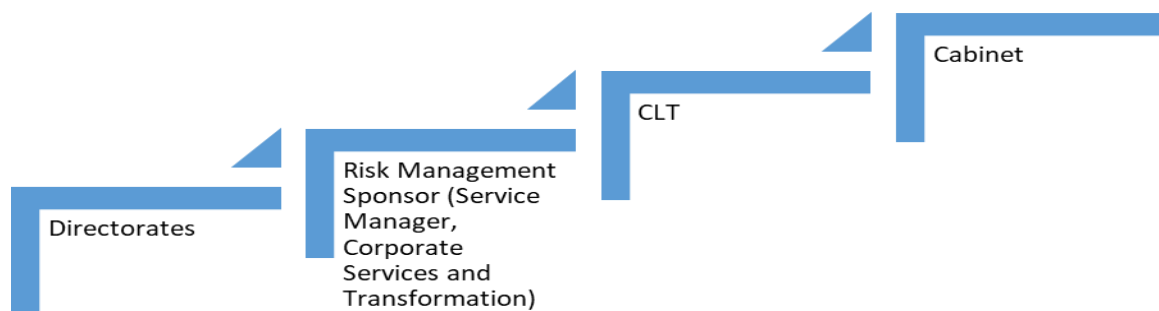
should be included on the Corporate Risk Register. This should be done through the Risk Management Sponsor – Strategic Planning.

The Risk Management Sponsor – Strategic Planning will report progress on the risk management process, and key risks, annually to Cabinet. They will also be responsible for reviewing the Corporate Risk Management Strategy and most effective risk management processes on an annual basis.

The action plans developed to manage the Strategic risks will be aligned to the Performance Management Framework and will be monitored through the Performance Management System Pentana. This will ensure the integration of risk management with other processes and ultimately ensure its profile and success is maintained.

The framework for reporting risk is summarised below:

Risk assessments will be included in all policies and reports, as well as in our partnership working arrangements, so that risk is considered in everything the Council does



Conclusion

The adoption of a sound risk management strategy will achieve many benefits for Ashfield District Council. It will help with business planning, the achievement of objectives, the demonstration of continuous improvement, the delivery of projects and demonstrate effective corporate governance.

The challenge however is to implement this comprehensive risk management process without significantly increasing workloads. This should be achieved by the integration of risk management into existing processes and reviews rather than as a separate process

Appendix 1 – The risk management process



	Almost definite P6	12	16	20	24
	Almost certain P5	10	14	16	20
	Probable P4	6	12	12	16
	Possible P3	3	8	8	12
	Hardly ever P2	2	4	4	8
	Never P1	1	2	3	4
		1 Negligible	2 Minor	3 Major	4 Critical
		IMPACT			

Averse Grey – Low risk/low opportunity

Cautious Green – Low to medium risk/low to medium opportunity

Open Blue – Medium risk/medium opportunity

Hungry Red – High risk/high opportunity

Stage 1 - risk Identification

Corporate Risk will be managed and monitored by CLT in partnership with the Service Manager – Corporate Services and Transformation. However it will be for each Directorate to decide upon the appropriate approach to identifying its key risks as this process is cascaded down throughout Ashfield District Council.

The categories of risk to prompt identification and to help to identify the cause / source of risks are:

Contractual/Supplier	Governance	Physical
Customer/Citizen	Legal	Political
Economic	Legislative/Regulatory	Procurement/Competitive
Environmental	Managerial/Professional	Social/People
Financial	Partnership	Technological

Other prompts for identifying risks include:

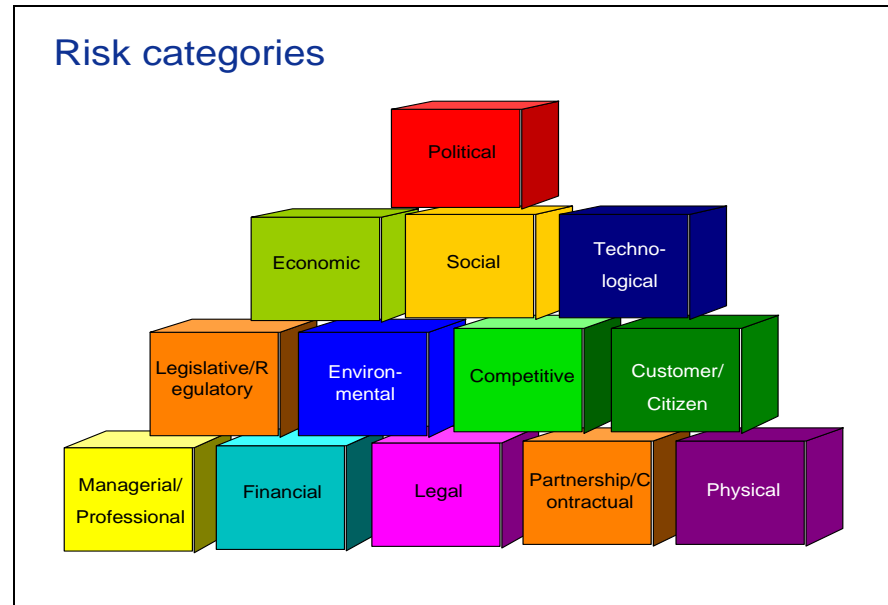
Actions in service plans	Changes in processes
Decision-making reports	Finance
Health and safety risks	Partnership working
Policy changes	Project management process e.g. new business case

The risk identification stage should also include a review of published information such as corporate/service plans, strategies, financial accounts, media mentions, inspectorate and audit reports etc.

Service Level Strategic Planning and Performance Management –

Each Service will review any relevant risks in the achievement of performance and improvement activity, and therefore achievement of Corporate Priorities. This will be undertaken quarterly as well as refreshed annually as part of the service planning

process. The Corporate Timeline Managers Checklist includes prompts for service managers to review risk on a regular basis (Appendix 2)



Page 41

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration’s manifest commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council’s ability to meet its objectives	Employee levels from available workforce, ageing population, health statistics

Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the council's ability to deliver its objectives	E-Gov. agenda, IT infrastructure, Employee/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Employee restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

Stage 2 – Risk analysis

The information gathered from the risk identification processes above should be analysed and risk scenarios developed for the key concerns using the Risk Register and Action Plan (see Appendix 3). The Risk Register and Action Plan (Corporate and Service) should include a clear description of the risk, priority rating of the risk and proposed action. Generally, where interviewees have perceived a risk, which has been corroborated by others, the risk should appear in the scenarios – particularly if it is backed up by available evidence.

Evaluate likelihood and impact

Likelihood/Probability					
1 Never	2 Hardly Ever	3 Possible	4 Probable	5 Almost certain	6 Almost definite
Never happened	No more than once in last 10 years	Happened a few times in last 10 years	Happened in last 3 years	Happened last year	More than once in last year
Will almost never to happen	Extremely unlikely again in year	Could happen in year	Possibility it might happen in year	Likely to happen in year	Expected to happen in year

Impact/Consequences				
	Service delivery	Finance	Reputation	People
4 Critical	Interruption to core service Failure of key project	Severe costs incurred; Financial loss of >10% of the tolerance set Impact on whole Council; Statutory intervention	Significant media interest seriously affecting public opinion	Loss of life; Major casualties

	Service delivery	Finance	Reputation	People
3 Major	Key targets missed Some services compromised	Significant costs incurred Financial loss of >5% of the tolerance set Resetting of budgets required Service budgets exceeded	Local media interest and significant social media commentary; Comment from Inspectors; Impact on public opinion	Serious injuries; Traumatic experience; Exposure to dangerous conditions
2 Minor	Management action required to address short term difficulties	Some costs incurred Financial loss of <5% of the tolerance set Minor impact on budgets; (managed by Service Manager)	Limited local publicity; Mainly within local government community; Causes staff concern	Minor injuries or discomfort; Feelings of unease
1 Negligible	Managed within normal daily routines	Little loss anticipated Financial loss within the tolerance set	Little or no publicity; Little staff comment	

Stage3 - Prioritisation

Following identification and analysis the risk scenarios need to be evaluated.

This should look at the risk scenarios and decide on their ranking according to the probability of the risk occurring and its impact if it did occur. The matrix (shown over) should be used to plot the risks and once completed this risk profile clearly illustrates the priority of each scenario.

It is essential at this stage that there is agreement around the timescales being used. The profiling group will agree if the risks are to be profiled over a 12-18 month timescale or a 3-4 year timescale. It will often depend on what the information will be used for – annual planning or 3-year planning. Impact should be assessed against the achievement of the Corporate, or service objectives as applicable.

Although the risk profile will produce a priority for addressing each risk determining the group’s appetite for risk can enhance this. All risks above the appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk is determined during the facilitated workshop and is achieved by starting in box P1:I1 and asking the group to decide if they are prepared to live with a risk in that box or if they want to actively manage it. Continuing this process up and across the matrix sets a theoretical tolerance line.

When prioritising risks the P6:I4 box is the first priority or the most important risk to be managed. The priority is led by the impact axis – i.e. P5:I4 followed by P6:I3, P4:I4 followed by P5:I3 followed by P5:I2 and so on.

The risk matrix is given below:

PROBABILITY	Almost definite P6				
	Almost certain P5				
	Probable P4				
	Possible P3				
	Hardly ever P2				
	Never P1				
		I1 Negligible	I2 Minor	I3 Major	I4 Critical
		IMPACT			

Stage 4 - Risk Management

Once the risks have been prioritised the next step is to identify actions to help control the risk. Most risks are capable of being managed – either by managing down the likelihood or impact or both. Relatively few risks have to be avoided or transferred. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/CLs/KLs.

These plans should not be seen as a separate initiative and are incorporated into the existing business planning process. Therefore the results of the risk management work will be fed into the corporate planning, service planning and budgeting process. Ownership of each action plan needs to be allocated to appropriate members of staff with appropriate seniority and ability to drive the progress of the action plans. It will therefore be their responsibility to develop the actions required to mitigate the risks and complete the plans. The corporate Risk Register and Action plan template is shown in Appendix 3.

Stage 5 - Monitoring and reporting

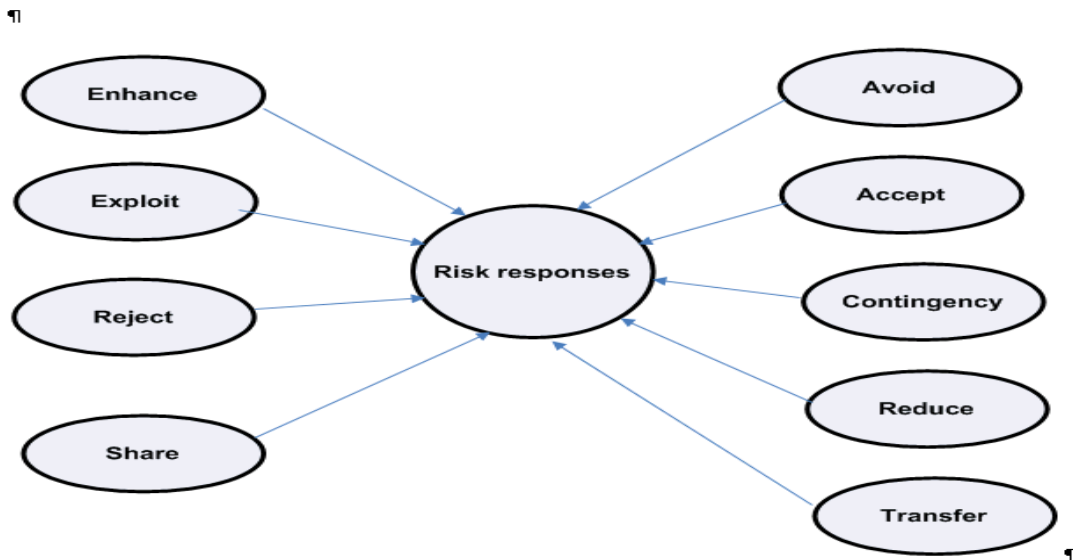
Monitoring the progress of action plans will be done as part of the Council's Performance Management process. This ensures the integration of risk management with other processes and ultimately ensure its profile and success is maintained. This is achieved through the recording and monitoring of risks within the corporate performance system called Pentana. The system sends email reminders to risk owners on a regular basis to review and re-assess the risk, adding comments regarding mitigating actions.

The strategic risk register is reviewed annually and updated and reported quarterly in the quarterly report to CLT, Scrutiny, Cabinet and Audit Committee.

The operational risk register holds service specific, project and partnership risks and is also updated quarterly with exception reporting in the quarterly report at the discretion of Heads of Service e.g. if the risk has increased sufficiently to cause concern corporately or if additional mitigating action is required.

Stage 6 – Response

The response(s) to a given risk should reflect the risk type, the risk assessment (likelihood, impact, and criticality) and the organisation's attitude to risk. There are a number of possible responses to risks and as risks can be threats or opportunities these include responses that are suitable for potential opportunities



Risk response	Description
Threats	
Avoid	The risk is avoided e.g. change in strategy
Transfer	Some or all of the risk is transferred to a 3 rd party
Reduce	Action is taken to reduce either the likelihood of the risk occurring or the impact that it will have
Accept	The risk may be accepted perhaps because there is a low impact or likelihood
Contingency	A plan is put in place to respond if the risk is realised
Opportunities	
Share	An opportunity is shared with a partner or supplier to maximise the benefits e.g. through use of shared resource/technology
Exploit	A project could be adjusted e.g. to take advantage of a change in technology or a new market
Enhance	Action is taken to increase the likelihood of the opportunity occurring or the positive impact it could have. e.g. Strategic/commercial opportunities such as new partnerships, new capital investment
Reject	No action is taken and the chance to gain from the opportunity is rejected. Contingency plans may be put in place should the opportunity occur.- Political or environmental e.g. new transport links, change of government bringing positive changes in policy/opportunities

Links to other risk-related areas of work

- Fraud awareness and training – Finance team
- Emergency planning and business continuity – Corporate Risk Manager
- Insurance – Finance team
- Health & Safety – Health & Safety officer
- Information management and security – ICT Technical & Security Manager

Appendix 2 – Corporate Timeline Service Managers Checklist

Task	By When	Progress	Completion Date
Financial			
Review of budgets	End November		
Review of fees and charges	End November		
Review of contracts			
Review of year end employee unused benefits	6 April		
Review of year end spend/ income and accruals/ prepayments	6 April		
Monitor service spend	ongoing		
Capital bids	twice year to be agreed by CLT		
Service planning/ performance/ risk			
Review of front line service plans	End February		
Review of support service plans	End March		
Finalise service plan based on year end performance	End April		
Monitor performance and productivity	ongoing		
Quarterly risk register review	Mid-June		
	Mid October		
	Mid-January		
	Mid-April		
People			
PDRs – front line services	End March		
PDRs –support services	End April		
Workforce planning/ service needs analysis/ skills audits	Mid- February		
Business Continuity			
Review risk assessments	End September		
Review business continuity service plans	End December		
Review of critical function plans	End December		
Other health and safety			
Equalities			
Review equalities report	Yearly (by end of January)		

Appendix 3 – The Risk Register & Action Plan –



2018/2019 Risk Register & Action Plan

Last updated by	C Clarke	18/05/2018
Approved by		
Document Owner		

INDEX

Risk Matrix	25
2018/2019	Examples of typical risks held in the risk register in Pentana...	26 - 27
2018/2019	Review Timetable	28
	Link to previous Cabinet report	28
	Link to current risk management reporting	28

Risk Matrix

PROBABILITY or LIKLIHOOD	Almost definite P6				
	Almost certain P5				
	Probable P4				
	Possible P3				
	Hardly ever P2				
	Never P1				
		I1 Negligible	I2 Minor	I3 Major	I4 Critical
		IMPACT			

(ADC)RSK/17/18 Risks 17-18

Register **Description**

Sub-Risks **19** **21** / 66

Risk Matrix **6x4** 6x4 Risk Matrix

(ADC) CR029 [Corporate Risk] Failure to identify savings required by MTFS

Current **Compare** **Description**

Impact **3 Critical**

Likelihood **4 Significant**

Score **12** **Rectangular Snip**

Assessment **3x4 Critical - Significant**

Date Reviewed **23 May 2018**

Next Assessment due 01 Jul 2018

Update

● (ADC) ENV014 CSR budget cuts - lack of money to deliver Service

Current Compare Description

Likelihood

Impact

Impact **3 Critical**

Likelihood **4 Significant**

Score **12**

Assessment **● 3x4 Critical - Significant**

Date Reviewed **31 Mar 2017**

🕒 Next Assessment due 01 Jun 2017

[Update](#)

▲ (ADC) FR034 Council Tax & NNDR

Current Compare Description

Likelihood

Impact

Impact **3 Critical**

Likelihood **3 Low**

Score **9**

Assessment **▲ 3x3 Critical - Low**

Date Reviewed **07 Feb 2018**

🕒 Next Assessment due 01 May 2018

[Update](#)

Risk Review Timetable

	April 18	May 18	June 18	July 18	August 18	Sep18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	March 19
Cabinet			X					X				
CLT		X			X			X			X	
DMT		X		X		X		X		X		X
Service areas	X		X		X		X		X		X	
Programme Boards **		X		X		X		X		X		X

**** where there is no Programme Board then the Service Director in their role as Corporate Programme Lead will review the risks with the Project Manager. For Programme Boards a risk report on live projects will be produced by the Corporate Performance and Improvement Team.**

Previous Cabinet report: <http://node70.ashfield-dc.gov.uk/documents/s8390/Corporate%20Scorecard%20Quarter%202%20Performance.pdf>

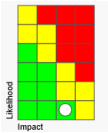
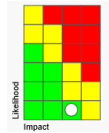
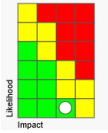
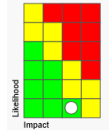
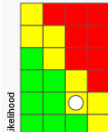
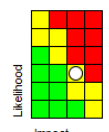
Risk Management reporting: <https://ashfield.pentanarpm.uk/portals/view/11787/adc-corporate-risk>

Ashfield District Council Corporate Risk Register – Analysis

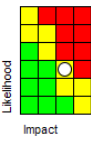
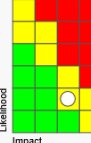

Quarter 2 2019/20

Health and Happiness Priority

Page 55

Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Resp for Action	Mitigating Actions	Comments	Last Reviewed
							BC Link				
CR200	Kirkby Leisure Centre VFM project – failure to complete the project on time				same	Reputational damage Delay on delivery benefits		Sarah Daniel	Project programme set, reviewed on a monthly basis at internal project team meetings and meetings with project manager	LEP funding - the programme is currently being reviewed by D2N2 as all funding needs to be spent by 31st March 2021. We have confirmed that the project is scheduled to start on site in October 2020 which will allow six months for spend of the £1.5m LEP funding. Confirmation of the funding is subject to submission of an approved business case. Sport England funding - Sport England are attending project meetings and are reviewing plans for the leisure centre as they develop. Once the Outcomes Framework has been accepted, we should be invited to submit an Expression of Interest. SE have confirmed that they have set aside £1.5m for a potential grant.	11 Oct 2019
CR201	Kirkby Leisure Centre VFM project – overspend impacts the finances of the council				same	Impact on budget and reduction in financial benefits		Sarah Daniel	Budget set-working to the agreed budget. Regular review of capital costs and business case.		
CR202	Kirkby Leisure Centre VFM project – failure to secure match funding				same	Financial impact on the Council		Sarah Daniel	LEP funding - working closely with the LEP to secure £1.5m. . Sport England funding - Committed to £1.5m subject to submission of successful bid.		

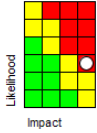
Housing and Homes Priority

Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
(ADC) CR046	[Corporate Risk] Introduction of Universal Credit					<ul style="list-style-type: none"> Potential loss of HRA rental income if tenants receiving UC choose not to pay rent (Profiling of current tenants as at 20/2/17 show that there is a risk to the rent roll (circa £11 million) as there will be around 3200 tenants affected. 2380 –high risk and 820 medium risk). This does not include those tenant who have working age partners. 	Low	<p>There is a dedicated officer for Welfare Reform in the Tenancy Service Section. This Officer has close links with the DWP.</p> <p>There is a formalised internal process for managing UC cases.</p> <p>There is a UC action plan in place. This needs reviewing regularly especially around resource requirements to manage the process.</p> <p>The Council operates an agency agreement with DWP to assist residents who wish to claim UC</p> <p>The Welfare Reform Group brings together a series of different</p>	Nikki Moss	<p>Universal Credit Claimant tenants are carrying more rent arrears which is impacting on the HRA.</p> <p>As at the 30/9/19, there are 831 tenants claiming UC. 513 of these are in arrears. The total debt for the 513 tenants is £217,743.52.</p> <p>Total rent arrears as at week 27 = £435, 121.45. This includes the arrears attributed to UC claimants as above.</p>	8 th Oct 2019
							X				

Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
								disciplines and partners to ensure the Council's response to UC remains proactive and robust			
(ADC) CR062	Inability to deliver affordable housing				No change	<ul style="list-style-type: none"> Targets not met lack of new affordable housing going forward 	Low	Use of S106 funding Tackling empty homes Close working with Planning Services Work with private landlords via the Landlords Forum Enforcement to tackle poor standard housing	Phil Warrington	ADC have an ongoing acquisitions programme are currently working on a proposed scheme to provide 22 new Council homes, and are looking at other opportunities to increase stock. There are also several proposed Registered Provider schemes in the pipeline No change to risk or likelihood	1 st Oct 2019
(ADC) CR081	CR081 Temporary Accommodation – insufficient units to meet demand				same	<ul style="list-style-type: none"> Finance – higher bed and breakfast costs Statute – failure to meet statutory duty 	Yes	Filter in more properties as become available through tenancy voids Find additional resource to manage properties	P Warrington	No change in assessment. Remains low likelihood but would have critical impact	8 th Oct 2019
CR088	Sustainability of HRA business plan and ability to invest in current and new stock				same	Reduction in stock numbers Reduced rental income Potential implications for the long term sustainability of the housing service		HRA health check April 2019 Monthly HRA Finance meeting Quarterly Annual sector benchmarking	P Warrington	Ongoing consideration of proposed rent increase. Approval will have a significant bearing on long term sustainability and investment in current and new stock.	8 th Oct 2019

Economic Growth and Place Priority

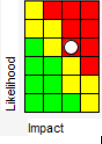
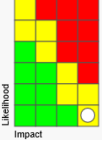
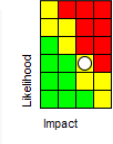
Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Resp for Action	Mitigating Actions	Comments	Last Reviewed
							BC Link				
(ADC) CR040	Failure to have adopted LDF / Local Plan				Increased to significant	<ul style="list-style-type: none"> • Diminish ability to stimulate economic growth • Increase likelihood of a developer lead approach to devt. • Maximises potential for a ward of costs against the authority •New approach to plan. High risk. Members Aware. •Local Plan now at preferred approach. Need to publish next stage. Failure to achieve will set back timetable. •If plan requires subsequent revision, will add delays. 	X	Christine Sarris	Need alternative approach to development with Members through adoption of Core Strategy Regular engagement with Members to bring them on board Keeping abreast of latest challenges; work with Planning Advisory Service for proof-reading Work with elected members to address concerns Provide professional guidance Keeping a clear audit trail of engagements with developers and consultees	We are slightly delayed against the last programme on the basis of a further call for sites at the request of members from the Local Plan Steering Group and also delays caused by cancellation of meetings due to the general election. At least 3 month delay to the programme outline in the Local Development Scheme. New milestones will be set as part of the Local Development Scheme update in the next financial year	11 Nov 2019
(ADC) CR086	Loss of planning appeals	new			Increased to significant	surpass the 10% limit and end up in special measures		Christine Sarris	Councillor training, Officer training & monitoring	The risk has slightly reduced given a recent approval on the Rolls Royce site. It is anticipated that an appeal will be withdrawn which further reduces risk. There is still significant risk associated with the Beck Lane Public Inquiry but the potential loss of this will not place the Council in special measures. recent performance has been	15 July 2019

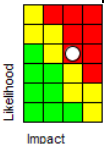
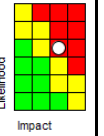
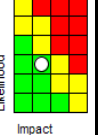
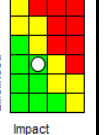
Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Resp for Action	Mitigating Actions	Comments	Last Reviewed
							BC Link				
										good and we are below the threshold for intervention	
New	Town Centre Funding – inability to deliver	New	New		N/A	<p>Failure to secure up to £50m of funding for Kirkby and Sutton.</p> <p>Opportunity lost to regenerate and re-purpose town centres and local centres</p> <p>Reputational damage</p>		Sarah Daniel	<p>Programme being developed to ensure milestones are met. Monitored through Pentana, Regen, Board and Discover Ashfield Board</p> <p>Internal resource requirements under review, to ensure sufficient capacity.</p> <p>Specialists will be appointed to support business case development.</p>	On track with development of programme for delivery.	4 th Dec 2019


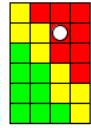

Cleaner and Greener Priority



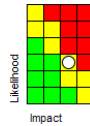
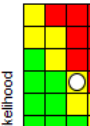

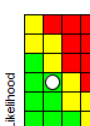
Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
(ADC) CR072	[Corporate Risk] Risk of Government's Waste strategy setting unattainable targets around recycling and service provision. Including the requirement to provide free garden waste service and separate food waste collections				same	<ul style="list-style-type: none"> potential fines from EU reputational damage 	High	Discussions with County regarding innovative options is ongoing	Sam Dennis	No update has been released from the Government's Waste and Recycling strategy consultation and with the upcoming general election it is less likely that any further information will be released this calendar year. The risk therefore remains the same at this stage.	7 th Nov 2019
New	Risk of being unable to deliver the annual Big Ashfield Spring Clean.	New	New		N/A	Non- delivery Reputational impact Increased budget Longer term resource requirements for picking up BASC waste through garden waste season and during normal operations		BASC campaigns booked out of garden waste season to ensure lorries and resource available.	Sam Dennis	Lessons learned logs kept through each campaign for ongoing continual improvement. Recognition of the risk of lorry unavailability being designed into the scheme with a reduction in flying skips to free up capacity to support the main collection. Risk of lack of staff mitigated by blanket annual leave restriction across the service and budget allocated for agency support.	4/12/19

Safer Priority

Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
(ADC) CR083	Failure to Support and Safeguard Vulnerable people				Still medium	<ul style="list-style-type: none"> • Significant adverse outcomes for vulnerable people suffering with mental health issues • Reputation of the council and its partners • Financial impact through lack of working in joined up manner 		<p>Working with NCC and other districts to review opportunity to improve closer working with mental health services</p> <p>Development of a strategy to support and safeguard vulnerable people</p>	Rebecca Whitehead	<p>E-learning training programmes are in development for corporate roll out i.e. Modern slavery. Awareness raising needs taking forward internally on the signs and referral pathways.</p> <p>The Complex Case Panel continues to be well supported by agency attendance however thresholds with agencies can be problematic.</p> <p>Risk in relation to the lack of data and analysis regarding levels of domestic abuse as an example is concerning.</p> <p>Police seconded officer is likely to be retracted by the start of the new financial year - reducing staffing levels in the Complex Case Team.</p>	27 Nov 2019

Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
(ADC) CR029	[Corporate Risk] Failure to make required savings as identified in MTFS				No change	<ul style="list-style-type: none"> •Council cannot fund full range of services in future •Pressure on General Fund reserves 	Medium	CLT and Cabinet will work together to identify savings and income generation opportunities Generate additional income For 2017/18, £1m of savings have been identified, and these workshops will continue throughout 2017, with the aim of identifying a further £1m of savings/addition income for 2018/19.	Pete Hudson	Detailed reviews of budgets are being undertaken with relevant portfolio holders to identify further options for change to address the remaining forecast budget gap.	1 Oct 2019
(ADC) CR033	[Corporate Risk] Ability to achieve efficiencies and compliance from procurement reviews / improvement				No change	<ul style="list-style-type: none"> •Penalties for non-compliance with legislation •Inability to meet MTFS savings targets if procurement savings not achieved 	Medium	Agreement of a new Procurement Strategy setting out clear guidance for spending managers Review of Procurement Arrangements (Shared Procurement Unit) to ensure objectives are being met Particular emphasis on small value procurement (under £25k) to ensure that the Council has legally compliant processes in place	Justin Henry	Efficiencies are being delivered as procurement exercises are being completed. Cost avoidance and cashable savings continue to be achieved.	8 Oct 2019

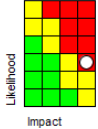
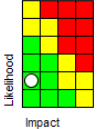
Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
(ADC) CR003	[Corporate Risk] Members' Ethical Framework – Failure to demonstrate high standards of behaviour				No change	<ul style="list-style-type: none"> •Significant resource to deal with implications of Code of Conduct Complaints. •Potential for negative perception of the Council which impacts upon the Council's reputation <p>Potentially adverse impact upon the workings of the Council</p> <ul style="list-style-type: none"> •New legislation does not provide “strong” sanctions for breaches to the Code which may make regulation of poor ethical behaviour difficult and leave complainants dissatisfied with outcomes. 	High	<p>Standards and Personnel Appeals Committee approves an annual work programme which includes an annual review.</p> <p>A review of the Members' Code of Conduct Complaints Process will be carried out during 2017/2018 in accordance with the recommendations of the LGA Peer Challenge 2017.</p>	Ruth Dennis	<p>Standards and Personnel Appeals Committee approves an annual work programme, which includes an annual review in March.</p> <p>The Members' Code of Conduct Complaints Process was reviewed, and a revised process approved, in May 2018 in accordance with the recommendations of the LGA Peer Challenge 2017.</p>	25 October 2019
						X	<p>Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee</p>	<p>Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee.</p> <p>A report summarising the “Committee on Standards in Public Life – Report on Local Government Ethical Standards” was presented to Committee in March 2019 and July 2019 to update members on potential changes to the current system and to consider what action the Council may be able to take to implement best practice proposals prior to any future legislative changes taking place. Two Working Groups sessions have taken place to date to consider and to implement the CSPL's best practice recommendations. This will include reviewing the Code of Conduct and the complaints process and improving website information. A further update report was presented to Committee in</p>			

Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
										October 2019 and the work is ongoing.	
(ADC) CR005	[Corporate Risk] High levels of sickness absence				No change	<ul style="list-style-type: none"> •Productivity •Financial •Employee morale •Service delivery •Remaining staff placed under increased pressure •Reputational damage 	High ✓	<p>Robust management of sickness absence procedures by managers and robust procedures - Revised Absence Mgt Policy implemented</p> <p>Effective monitoring - monthly monitoring reports highlighting service area absence to assist CMG and managers in absence management</p> <p>Employee support mechanisms - Employee assistance programme implemented</p> <p>Appropriate occupational health support – Occ Health provision reviewed</p>	Karen Barke	Quarter 2 out-turn less than target; short term sickness is low but long term sickness is high involving a small number of cases. All long term cases are being robustly managed in line with the attendance management policy. CLT are actively monitoring via regular review meetings with HR and detailed out-turn monitoring reports to CLT.	03-Dec-2019
(ADC) CR032b-a	Business Rates appeals are higher than forecast				Now low	Negative impact a MTFS ; further savings required		A prudent approach is taken to estimating likely successful appeals.	C Scott	Mid-Year analysis of Appeals and CCA data has shown that there has been a significant fall in the number of outstanding Appeals (old scheme - prior to 1st April 2017), which has resulted in a lower assessment of the 2019-20 appeals provision requirement than originally	8 Nov 2019


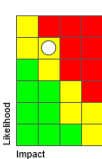
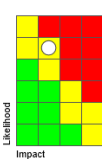
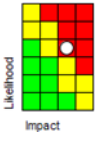
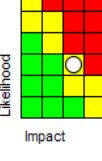
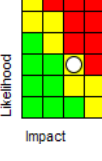
Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
										forecast when the NNDR1 was completed in January 2019.	
(ADC) CR032b-c	Level of central government funding 2020 onwards				No change	Negative impact a MTFS ; further savings required		The Council will contribute to any consultation when proposals are announced, emphasising the need for resources to be allocated to deprived areas.	P Hudson	It is now known that the Spending Review (SR19) will be a one-year review rather than the originally planned 3 years. The expected impact of this has been factored into the update of the MTFS.	1 Oct 2019
(ADC) CR082	Commercial property investment				same	<ul style="list-style-type: none"> Decrease in capital value of the property Inability of tenant to pay or request for renegotiation of rent Reduced income 		<p>Robust monitoring arrangements for portfolio – stability of tenant, stability of market and macro economics</p> <p>Ensure adequate lease length (greater than 7 years)</p> <p>Ensure property investment in most advantageous asset class</p> <p>Ensure tenant has good financial standing and passes regular credit analysis (D+B) Property reserve to offset short term voids</p>	Justin Henry	<p>No change from previous assessment. New CIPFA guidance has been released (18 Nov 2019). Ashfield has a view of the draft prior to the official release, and upon receiving the official update, Ashfield remains compliant with the guidance.</p> <p>The state of the market and the state of the economy remain the same. Tenant performance is broadly good and the portfolio remains low risk currently, all else equal. We will continue to monitor and report as usual.</p>	3 Dec 2019
CR090	Workforce planning – inability to recruit and/or retain filled position to critical posts	New	New	Risk varies depended on post Average of 		<p>Inability to provide critical service functions including statutory services whilst vacant</p> <p>Negative impact on delivery of critical functions that directly affect Corporate Plan priorities, productivity, MTFS.</p>		<ul style="list-style-type: none"> Implementation of Workforce Plan Identify Critical Posts and implement strategic plan to mitigate against risks of failure to recruit/retain quality staff to these positions 	Craig Bonar	<p>List of critical roles identified and exercise underway to assess mitigation actions regards retention and recruitment to these posts and/or provision via alternative delivery model.</p> <p>Includes pay and benefits benchmarking; review of market supply,</p>	21 Oct 19

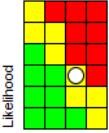
Code	Title	Year end 17/18	Year end 18/19	Qu 2 19/20	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Respons for Action	Comments	Last Reviewed
							BC Link				
CR100	Brexit – lack of policy decisions	New	New	<p>Likelihood</p> <p>Impact</p>	n/a – new risk	<p>Economic-potential negative impact on funding, investment return, reduced NNDR, increase in contract costs through implications from No-Deal/Brexit</p> <p>Social impact</p> <p>Legislative potential negative impact through legislative changes e.g. employment law, increased tariff taxes</p> <ul style="list-style-type: none"> Partnership/ Contractual potential negative impact of contract failure, increased costs, supply difficulties 		<p>Internal officers working group monitoring impact and headline assessments of potential impact and risk level</p> <p>Briefings to CLT</p> <p>Input and participate in LRF contingency planning and measures including weekly Sit Rep Status Report and Monthly Tele-Conferences</p> <p>Internal Action Plan with lead officer being implemented</p>	Craig Bonar	<p>Internal Officers Group updating business contingency arrangements based on a no-deal EU Exit on 31 October 19. Continuing to monitor community and business impacts</p> <p>Weekly exception reporting currently to LRF Brexit-Green RAG status-no major issues of concern being raised by ADC or LRF in general.</p> <p>MHCLG-Designated Brexit Lead Officer (C Bonar) confirmed.</p> <p>ADC Brexit Lead member (Cllr Blagden) designated</p> <p>Weekly participation in teleconferences covering LRF, Nott's Brexit Leads, MHCLG.</p>	October 2019

DELETED RISKS

Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
							BC Link				
(ADC) CR073a	[Key Risk] Idlewells Market				<p style="color: green;">Risk reduced and finishes in Quarter 3</p>	<ul style="list-style-type: none"> *Loss of Trade *Low occupancy rates *New product doesn't sell *Contract dispute *Landlords dispute *Structural and ME failures •Reputation (public expectations) •Financial – claims •VAT increase to traders •Increase on insurance costs *Delays on opening *Funding agreement not achieved -reclaim 	High	*Contract Programme - Regular inspection and monitoring	Theresa Hodgkinson	Asbestos removed from all designated areas and certificated evidence of work carried out received	01-Feb-2018
								*Business plan produced and updated * Pre letting campaign * Communication plan – monitor/update		Refurbishment completed and handed back to ADC on 11th December 2017 Snagging list created and resolutions sought through 12 month post works period	
								Risk register in place for all aspects of the project/monitored		Market hall 50% occupied on handover. Two new traders in place since handover, further new trader in place mid-February 2018 Communication plan in place for promoting the market as a place to do business	
								Contract signed – Regular meetings/Site/ internal *Quarter monitoring D2N2 grant.		Positive marketing in partnership with Idlewells shopping Centre First 'Trader day ' held on the 26th January – seven prospective traders interviewed on the day / one verbal acceptance	

Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
							BC Link				
(ADC) CR074	[Corporate Risk] Overpayment of Housing Benefit				deleted	- loss of subsidy - increasing burden of debt collection	High	Mini re-structure Offsite processing capacity Improved training		The only control over the level of Overpayments we have is the level of Local Authority error Overpayments, which represents less than 10% of the total, and we get all of this back from the Government anyway, so there is no loss for ADC. The bulk of Overpayments are as a result of Claimant error and fraud (failure to notify of change of circumstances), which is outside of our control. Risk can therefore be removed	
(ADC) CR032b-b	NHS Trusts successfully lobby for charitable status and pay significantly reduced business rates				deleted	Negative impact a MTFS ; further savings required		The Council is supporting the LGA's action against the hospitals.		This matter has now been resolved and the NHS have withdrawn their application Risk removed	18 Oct 2018
CR084	Failure to be prepared for the Implementation of new Data Protection Legislation (General Data Protection Regulations) in May 2018	new			No change	<ul style="list-style-type: none"> Fine for non-compliance compliant up £14m or 2% gross annual turnover. Reputation – through reporting of breaches and issues/ any form of enforcement action on the ICO website. 	Yes	<ul style="list-style-type: none"> Establish GDPR project team Detailed project plan to ensure compliance 	Ruth Dennis and Sarah Hall	Implementation of GDPR occurred in May 2018 and it is suggested that this risk is removed and replaced with a risk relating to the ongoing control and review of protecting personal data in relation to GDPR	Nov 2018

Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
							BC Link				
(ADC) CRO79	[Corporate Risk] Impact of the impending 1% rent reduction on the Councils ability to invest in new build & existing housing stock				No change	Reduced headroom / ability to borrow in the HRA Revisions required to the 30 year plan Changes / reduced capital programme in the short term Fewer new affordable homes being delivered Reduced service delivery to existing tenants	medium	Wider review of the way the Council manage its housing stock Reduce spend in the current capital programme Review viability of 30 year HRA plan	Paul Parkinson/ Nicky Moss	The 30 year HRA business plan has been produced which sets out limitations and efficiencies. The amenity charge is to be increased from 2019/20. This will generate more income. Responding to CLT request that risk has been deleted to be replaced with a new risk which has been broadened in relation to HRA business plan viability,	1 Nov 2018
CR085	Loss of Capita financial services				same	<ul style="list-style-type: none"> Potential loss of income to the organisation for a period of time Reputational damage Loss of method of payment with cash until new arrangement in place Potential loss of transaction data for 1 working day		<ul style="list-style-type: none"> Review current contract Put in place a Contingency plan 	Craig Bonar/ Pete Hudson	Capita in March 2019 reported a £272.6m profit for previous year. The year before it reported a £513m loss. Its balance sheet has been strengthened thanks to a £1.1bn rights issue. Chief executive Jon Lewis said the firm has "fixed the basics and is firmly on track". "Our transformation still has some way to go. But I am very pleased with our progress," he adds. Finance will continue to monitor Capita's performance on the internet. It will provide alerts if there any further problems reported. Now service level	6 Aug and 1 Oct 2019

Code	Title	Year End 16/17	Year end 17/18	Qu3 18/19	Change	Consequences of the Risk Occurring	Ability to Inf.	Mitigating Actions	Resp for Action	Comments	Last Reviewed
							BC Link				
CR089	Service areas have not designed payment collection processes to meet PCI compliance			 <p>Likelihood</p> <p>Impact</p>		<p>Fines (no prescribed amounts)</p> <ul style="list-style-type: none"> Removal of the capability to take card payments 		<p>Processes to be documented and communicated to staff through robust service planning.</p> <ul style="list-style-type: none"> All service areas to examine and document payment collection processes and procedures which will need to be signed off by the ICT Security Manager. 	J Froggatt	<p>PCI awareness sessions held</p> <p>Tips for service payment design given to IT Security Officer for review and publication on the intranet</p> <p>Now service level</p>	Oct 2019



Ashfield District Council – Audit Progress Report

Audit Committee: 16th December 2019



Contents

Page

AUDIT DASHBOARD	3
AUDIT PLAN	4
AUDIT COVERAGE	5
RECOMMENDATION TRACKING	10
STATUS OF PREVIOUS AUDIT RECOMMENDATIONS	17

Our Vision

Through continuous improvement, the central midlands audit partnership will strive to provide cost effective, high quality internal audit services that meet the needs and expectations of all its partners.

Contacts

Richard Boneham CPFA
Head of Internal Audit (DCC) &
Head of Audit Partnership
c/o Derby City Council
Council House
Corporation Street
Derby, DE1 2FS
Tel. 01332 643280
richard.boneham@derby.gov.uk

Adrian Manifold CMIA
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643281
adrian.manifold@centralmidlandsaudit.co.uk

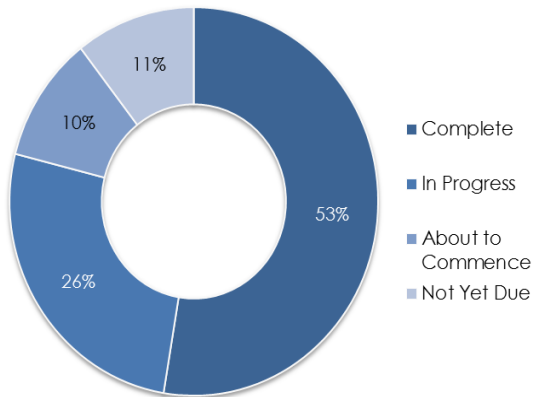
Mandy Marples CPFA, CCIP
Audit Manager
c/o Derby City Council
Council House
Corporation Street
Derby
DE1 2FS
Tel. 01332 643282
mandy.marples@centralmidlandsaudit.co.uk



Ashfield District Council – Audit Progress Report

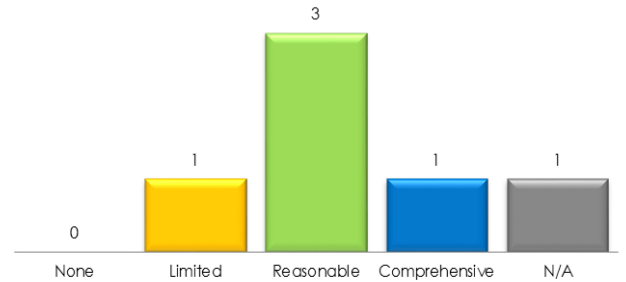
AUDIT DASHBOARD

Plan Progress



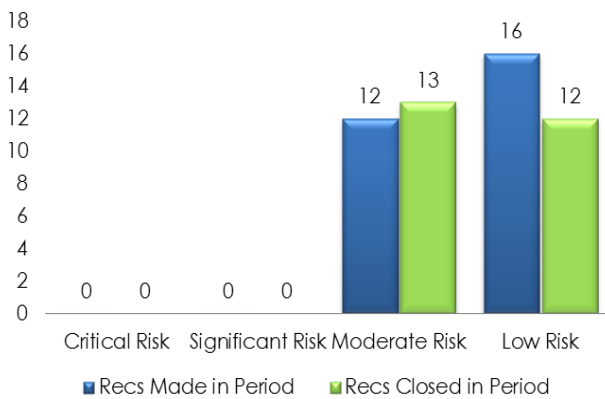
Assurance Ratings

Control Assurance Ratings Issued During Period



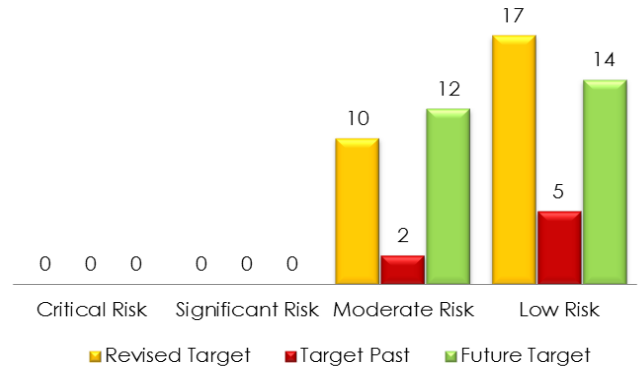
Recommendations

Movement During Period



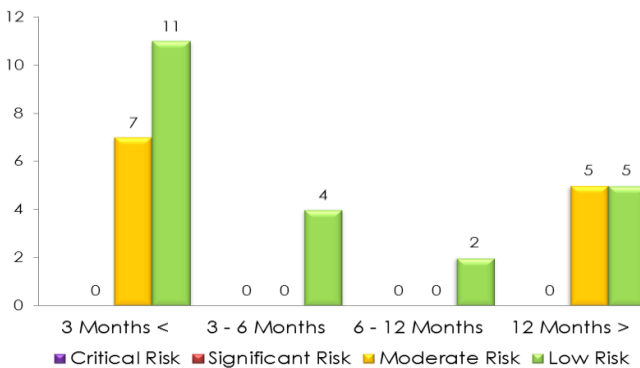
Recommendations

Recommendations Currently Open



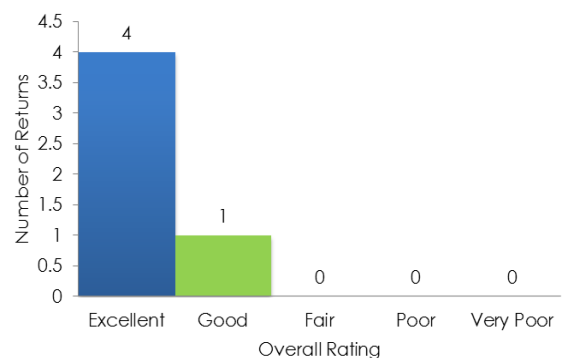
Recommendations

Overdue Recommendations



Customer Satisfaction

Returns Between April 19 & Dec 19



Ashfield District Council – Audit Progress Report

AUDIT PLAN

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as at 3rd December 2019.

2019-20 Jobs	Status	% Complete	Assurance Rating
Anti-Fraud & Corruption 2019-20	In Progress	90%	
Information Governance	Draft Report	95%	
Main Accounting Systems	Not Allocated	0%	
Creditors (Purchase Cards)	Not Allocated	0%	
IT Policy Compliance	Final Report	100%	Limited
Transformation Project Assurance	In Progress	30%	
Corporate Improvement/Transformation	In Progress	60%	
Data Quality & Performance Management	Final Report	100%	Reasonable
Procurement 2019-20	Final Report	100%	Reasonable
NDR 2019-20	Final Report	100%	Comprehensive
Customer Services/E-Payment	In Progress	70%	
People Management	Allocated	5%	
Anti-Social Behaviour	Final Report	100%	Reasonable
Fire Safety	Final Report	100%	Reasonable
Homelessness	Allocated	0%	
Door Access Control	Final Report	100%	Limited
B/Fwd Jobs	Status	% Complete	Assurance Rating
Anti-Fraud 2018-19	Final Report	100%	N/A
Universal Credit	Final Report	100%	Comprehensive
Commercial Property Management	Final Report	100%	Reasonable

Audit Plan Changes

No changes to report.

Ashfield District Council – Audit Progress Report

AUDIT COVERAGE

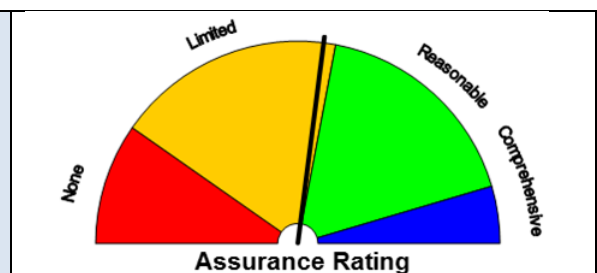
Completed Audit Assignments

Between 19th September 2019 and 3rd December 2019, the following audit assignments have been finalised since the last progress update was given to the Audit Committee.

Audit Assignments Completed in Period	Assurance Rating	Recommendations Made				% Recs Closed
		Critical Risk	Significant Risk	Moderate Risk	Low Risk	
Door Access Control	Limited	0	0	4	4	50%
Procurement 2019-20	Reasonable	0	0	3	1	0%
NDR 2019-20	Comprehensive	0	0	0	3	67%
Anti-Social Behaviour	Reasonable	0	0	2	5	14%
Anti-Fraud 2018-19	N/A	0	0	2	0	0%
Data Quality and Performance Management	Reasonable	0	0	1	3	0%
TOTALS		0	0	12	16	25%

Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
To ensure that the processes and controls over the issue and management of employee and guest door access cards are operating effectively.	11	3	4	4
TOTALS	11	3	4	4

Summary of Weakness	Risk Rating	Agreed Action Date
There were limited procedure notes in place for employees to refer to when undertaking tasks associated with the creation and management of access cards in the Paxton Net 2 Access Control system.	Low Risk	30/11/2019
Inadequate processes were in place for the control and monitoring of temporary and visitor door access cards.	Moderate Risk	31/12/2019
Two temporary door access cards, stored at the Brook Street site, had not been disabled when not in use.	Low Risk	30/09/2019
The request and authorisation process for staff and volunteer door access cards was not controlled adequately. Testing identified that the required process for authorisation had not been followed but door access cards had been issued.	Moderate Risk	31/12/2019



Ashfield District Council – Audit Progress Report

Door access/staff ID cards of former employees were not returned to Asset Management for destruction.	Low Risk	31/12/2019
Department for Work & Pensions employees had access to the second floor of the Council Offices for which they had no business need.	Low Risk	30/09/2019
Access to the Paxton Net 2 Access Control system was not adequately restricted to only those officers with a genuine business need.	Moderate Risk	30/08/2019 Implemented
The gates and doors to the Depot were not secured on bank holidays and so members of the public could gain unauthorised access.	Moderate Risk	01/05/2019 Implemented

Procurement 2019-20				
	Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls
There are processes in place to ensure that the procurement service is appropriately monitored and managed by the Council.	5	2	2	1
There are procedures in place to ensure that the procurement service is being delivered effectively.	6	5	1	0
The weaknesses identified in the 2017/18 Contracts Management audit have been addressed.	3	1	0	2
TOTALS	14	8	3	3
Summary of Weakness		Risk Rating	Agreed Action Date	
There was no formal contract in place between the Council and the provider of procurement services.		Moderate Risk	01/03/2020	
The Finance Team were unaware that there could be an annual charge from the procurement service provider and they were not consulted regarding the costs used in calculating the cashable savings charge.		Low Risk	01/12/2019	
The Contracts Register did not include all of the Council's contracts or all of the information required by the Local Government Transparency Code 2015. As such, it did not completely fulfil the purpose of a Contracts Register.		Moderate Risk	31/03/2020	
The Council were not publishing the required data for the contracts where invitations to tender over the value of £5,000 had been raised in the previous quarter, as required by the Local Government Transparency Code 2015.		Moderate Risk	31/03/2020	

Ashfield District Council – Audit Progress Report

NDR 2019-20					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
Non-Domestic Rate reliefs and exemptions are calculated and awarded correctly, ensuring that all appropriate documentation is retained as evidence of eligibility.	8	6	2	0	
The Non-Domestic Rate system is reconciled to the Valuation Office schedules.	3	1	2	0	
TOTALS	11	7	4	0	
Summary of Weakness		Risk Rating	Agreed Action Date		
The Discretionary Rate Relief Policy had not been reviewed since 2013.		Low Risk	31/12/2019		
There was no verification check by an independent officer of the amendments to Rateable Value on the Revenues system.		Low Risk	Risk Accepted		
The reconciliations between the Valuation Office schedules and the Revenues system were not being reviewed for accuracy and completeness by an independent officer.		Low Risk	Implemented		

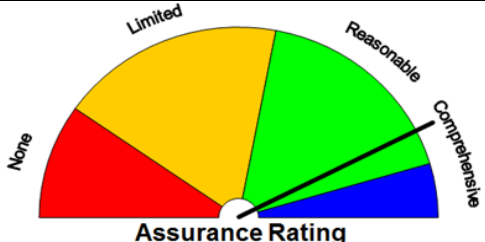
Anti-Social Behaviour					
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls	
To ensure that cases have been recorded accurately and consistently and are complete.	4	1	2	1	
To ensure there is management review and monitoring of cases, both current and closed.	4	1	3	0	
To ensure that cases are closed on a timely basis, with a recorded outcome.	2	0	1	1	
TOTALS	10	2	6	2	

Ashfield District Council – Audit Progress Report

Summary of Weakness	Risk Rating	Agreed Action Date
There were no formal procedural guidance notes in place which documented the entire Anti-Social Behaviour process, from initial contact to closing of the case.	Low Risk	31/12/2019
The case management spreadsheets included a large amount of personal and sensitive data, which was accessible to officers outside of the Anti-Social Behaviour team.	Moderate Risk	30/11/2019
Insufficient case notes were documented, impacting on the ability of third parties to review the actions taken.	Moderate Risk	31/12/2019
The set of Anti-Social Behaviour Performance Indicators in the Performance Information system were not in line with the new processes that have been implemented.	Low Risk	31/12/2019
Only a proportion of customers were surveyed and customers were unable to give anonymous responses to the customer satisfaction surveys, under the current and proposed surveying methods.	Low Risk	31/12/2019
Anti-Social Behaviour cases were not subject to management review and authorisation prior to being closed.	Low Risk	Implemented
The data in the Personal Case Management spreadsheets and E-CINS did not always correspond.	Low Risk	31/12/2019

Anti-Fraud 2018-19	Assurance Rating - Not Applicable	
Following the review of the Council's Anti-Fraud activities, CMAP considered the findings of the report to determine whether we can place reliance on them and make recommendations to improve the control environment.		
Summary of Weakness	Risk Rating	Agreed Action Date
The Anti-Fraud Sub-group had not met regularly for some months and the Baseline Assessment had not been completed. Therefore the review of the Council's Anti-Fraud measures could not be completed.	Moderate Risk	31/03/2020
The Council's use of the NFI and Data Matching exercises to identify fraud and error had been limited. We were unable to identify the Council's plans for further development in this area.	Moderate Risk	31/03/2020

Ashfield District Council – Audit Progress Report

<h2>Data Quality and Performance Management</h2>	 <p style="text-align: center;">Assurance Rating</p>			
Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The Corporate Scorecard Performance Indicators are correctly calculated and input, monitored and challenged, where appropriate.	7	3	2	2
The Performance Board is operating effectively and the Data Quality Strategy is up to date.	3	2	1	0
TOTALS	10	5	3	2
Summary of Weakness		Risk Rating	Agreed Action Date	
Definitions and methodologies for calculation had not been agreed and documented for each of the Performance Indicators.		Low Risk	31/05/2020	
A service area could not evidence a Performance Indicator that was reported to Members for the 2018/19 outturn.		Low Risk	31/05/2020	
An independent, evidenced check of the calculation of Performance Indicators was not in place within each service area.		Low Risk	31/05/2020	
The Data Quality Strategy required updating and had not been formally approved by the Council.		Moderate Risk	30/04/2020	

Ashfield District Council – Audit Progress Report

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
31-Oct-16	Main Accounting (MTFP)	Reasonable	0	1	0
02-Aug-17	Responsive Maintenance/Voids	Comprehensive	0	2	0
11-Jan-18	Anti-Fraud & Corruption	Reasonable	0	1	0
09-Mar-18	Gas Safety 2017-18	Reasonable	0	1	0
27-Mar-18	Rent Arrears	Comprehensive	0	1	0
28-Mar-18	ECINS Security Assessment	Limited	0	3	0
24-Apr-18	ICT Performance Management	Reasonable	0	2	0
22-Jun-18	Health & Safety	Comprehensive	0	1	0
03-Jan-19	Waste Management/ Whitespace	Reasonable	0	2	0
10-Jan-19	Depot Investigation	Limited	0	7	1
30-Jan-19	Licensing	Reasonable	0	0	1
14-Feb-19	Risk Registers	Reasonable	2	3	0
12-Mar-19	Treasury Management & Banking	Reasonable	0	1	1
29-Mar-19	Safeguarding	Reasonable	0	1	0
25-Jun-19	Commercial Property Management	Reasonable	0	1	0
16-Aug-19	Fire Safety	Reasonable	0	0	3
18-Sep-19	IT Policy Compliance	Limited	2	0	2
24-Sep-19	Door Access Control	Limited	1	0	3
09-Oct-19	Procurement 2019-20	Reasonable	1	0	3
25-Nov-19	NDR 2019-20	Comprehensive	0	0	1
29-Nov-19	Anti-Social Behaviour	Reasonable	1	0	5
29-Nov-19	Anti-Fraud 2018-19	N/A	0	0	2
03-Dec-19	Data Quality & Performance Management	Reasonable	0	0	4
		TOTALS	7	27	26

Action Due = The agreed actions are due, but Internal Audit has been unable to ascertain any progress information from the responsible officer.

Being Implemented = The original action date has now passed and the agreed actions have yet to be completed. Internal Audit has obtained status update comments from the responsible officer and a revised action date.

Future Action = The agreed actions are not yet due, so Internal Audit has not followed the matter up.

Ashfield District Council – Audit Progress Report

Audit Assignments with Recommendations Due	Action Due			Being Implemented		
	Significant Risk	Moderate Risk	Low Risk	Significant Risk	Moderate Risk	Low Risk
Main Accounting (MTFP)	0	0	0	0	0	1
Responsive Maintenance/Voids	0	0	0	0	0	2
Anti-Fraud & Corruption	0	0	0	0	0	1
Gas Safety 2017-18	0	0	0	0	1	0
Rent Arrears	0	0	0	0	0	1
ECINS Security Assessment	0	0	0	0	2	1
ICT Performance Management	0	0	0	0	2	0
Health & Safety	0	0	0	0	0	1
Waste Management/Whitespace	0	0	0	0	0	2
Depot Investigation	0	0	0	0	3	4
Risk Registers	0	0	2	0	2	1
Treasury Management & Banking	0	0	0	0	0	1
Safeguarding	0	0	0	0	0	1
Commercial Property Management	0	0	0	0	0	1
IT Policy Compliance	0	1	1	0	0	0
Door Access Control	0	0	1	0	0	0
Procurement 2019-20	0	0	1	0	0	0
Anti-Social Behaviour	0	1	0	0	0	0
TOTALS	0	2	5	0	10	17

Highlighted Recommendations

The following significant or moderate risk rated recommendations, that have not yet been implemented, are detailed for Committee's scrutiny.

Action Due

Anti-Social Behaviour	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
The case management spreadsheets included a large amount of personal and sensitive data, which was accessible to officers outside of the Anti-Social Behaviour team. We recommend that the data in the spreadsheets is minimised and access is restricted to only those employees with a business need to view the Anti-Social Behaviour records. In addition, the list of employees with access should be reviewed periodically by Management to ensure necessary changes are made promptly.	Moderate Risk
Management Response/Action Details	Action Date
Speak with IT regarding restricting Community Protection Data.	30/11/2019
Status Update Comments	Revised Date

Ashfield District Council – Audit Progress Report

IT Policy Compliance	Rec No. 7
Summary of Weakness / Recommendation	Risk Rating
<p>A significant amount of duplicate files were found across the S:\ drive (totalling over 150 GB of data), raising concerns around departments housekeeping, records management and filing structures.</p> <p>We recommend that management issues routine duplicate file reports to departmental managers and ensures departments are reminded of their responsibilities for establishing routine housekeeping, controlled filing structures and appropriate records management processes.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>We will go through a process of reminding managers of their responsibilities and investigate software options to provide duplicate file reports and implement if practical. We have recently implemented the new 'dedupe' facility on the main file server following its migration to a later operating system. This removes space taken up by identical blocks of data (rather than just looking at duplicate files) and freed up 400gb of space.</p>	01/11/2019
Status Update Comments	Revised Date

Being Implemented Recommendations

Gas Safety	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>The Senior Operations Manager has concerns that the pay grade of the Senior Technical Officer (Gas) post would not attract and retain appropriately skilled and experienced applicants should the current post holder leave.</p> <p>We recommend that management complete a formal bench marking process to ascertain how the Senior Technical Officer (Gas) post compares with comparable organisations in terms of salary and duties. The results of the benchmarking should be discussed with the Directors and Corporate Leadership Team to ensure that adequate succession planning is in place.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>I am currently investigating similar posts within other Authorities and how the current Senior Technical Officer (Gas Compliance) role compares in terms of duties, responsibilities and remuneration etc.</p> <p>Based on the current service reviews and the repair and maintenance of the Council's gas assets/appliances in Public Buildings etc. that currently fall under the Asset Management Section, I would consider that based on the specialist nature of these works, it would be prudent from a risk perspective for these to be transferred under the Senior Technical Officer (Gas Compliance), which in turn would impact on his current duties.</p> <p>Once sourced, an update will be provided to Paul Parkinson in the first instance to establish how this fits in with the broader service review and longer term succession planning.</p>	30/06/2018
Status Update Comments	Revised Date
<p>This post is part of a significant service review that will involve changes to IT, service delivery and restructures. The service review is underway but not likely to be completed for some time.</p> <p>The Job Evaluation process is now coming to a conclusion, it is anticipated that the gas roles responsibility and high level of specialism will be reflected in the salary grading.</p>	31/03/2020

Ashfield District Council – Audit Progress Report

ECINS Security Assessment	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
<p>There were no IP restrictions or two-factor authentication (2FA) process in place for Ashfield DC user access to the e-Cins system.</p> <p>We recommend that the Council raises a formal feature request for the introduction of 2-factor authentication in future releases of the system, or looks to restrict access to an authorised IP range. An acceptable usage policy should be defined for accessing the system outside the Council's private network.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>Police objected to this during early discussions with the Council and IT. To address these officers will be required to remote desk top into the Council's IT and access Ecins from here. Training and signing a MOU will ensure all officers understand the requirement moving forwards. To liaise with system provider to establish if there is an audit trail of IP address (these should all be one IP address).</p>	30/06/2018
Status Update Comments	Revised Date
<p>Ecins have stated that it can be done from the users action logs, however when tested this information was not available. The ECINS webpage whilst accessible to those that know the address is not accessible through any google search or similar.</p> <p>The PCC hold the contract with the service supplier and pay for the system on behalf of the County. There is a countywide Ecins meeting with the programme manager (appointed by the OPCC) as well as local meetings between ADC and the programme manager and all audit recommendations have been raised.</p> <p>With regards to two factor authentication, whilst recommended as best practice for remote access/Cloud systems TFA also presents draw back in terms of immediate access. Other organisations within the Notts programme have also raised the same issue but have accepted the risk in light of this fact and have instead chosen to focus on developing internal user policies that offer assurance around use of the system by staff to offset the risks. ADC will do the same and is working with Nottingham City Council, which is developing a set of conventions.</p>	30/10/2019

ECINS Security Assessment	Rec No. 10
Summary of Weakness / Recommendation	Risk Rating
<p>Current administrators of the system did not appear to have been sufficiently trained on the accessibility and whereabouts of security related reports that would need to be utilised for effective systems and security management.</p> <p>We recommend that management defines, documents and implements comprehensive security based training to all users granted organisation admin rights to allow them to effectively manage the security of the system and its users.</p>	Moderate Risk
Management Response/Action Details	Action Date
<p>This will be raised to the project lead (PCC office) as per audit recommendations for this to be included in training for persons with organisation admin rights. The Ecins lead for the Council will prepare documents with project lead for review and sign off.</p>	30/09/2018
Status Update Comments	Revised Date
<p>The PCC hold the contract with the service supplier and pay for the system on behalf of the County. There is a countywide Ecins meeting with the programme manager (appointed by the OPCC) as well as local meetings between ADC and the programme manager and all audit recommendations have been raised.</p> <p>ECINS does provide reporting that can highlight the volume of access by users in terms of when it was last accessed, by who, how much data they have added to the system etc. It would be up to ADC to set regulations and conventions around what policies</p>	30/10/2019

Ashfield District Council – Audit Progress Report

they would like to see enforced against this data, e.g. users who have not logged on for thirty days or more get access suspended. These functions are all available through the stats and lists function of ECINS.

Nottingham City Council are developing a number of guidelines/conventions and best practice approaches which upon completion will be shared across the programme. The Ecins Manager is happy to discuss at the next local delivery group what might be a good approach at ADC. The Ecins Manager is in the process of finalising an organisational best practice guide.

The training provided by the programme at present is basic user training reflecting the agreed usage conventions for the system across the county (now echoed across the east midlands). The idea for more advanced organisation admin training is a good one and something which the Ecins manager is looking into.

ICT Performance Management	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
Despite commitment to performance management in the Councils latest Technology Strategy, we could not find any documented performance management metrics and goals to support this. Similarly, performance metrics for IT did not appear to be subject to annual review, or agreed or monitored by the Council.	Moderate Risk
We recommend that Management defines performance management metrics for the IT service, and implements policies and procedures for monitoring and reporting compliance. Metrics, goals and targets should also be subject to annual review.	
Management Response/Action Details	Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.	01/09/2018
Status Update Comments	Revised Date
This action will fall in line with the new service desk application.	29/11/2019

ICT Performance Management	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
Reviews of the team's performance in relation to the resolution of incidents and service requests did not appear to comply with a formal schedule, and evidence of previous reviews could not be provided as the actions/discussions were not documented in minutes.	Moderate Risk
We recommend that Management defines a schedule for reviewing performance of incident and request resolution times, and ensures any agreed actions are documented in minutes which are retained.	
Management Response/Action Details	Action Date
There is a review of the ICT Helpdesk due shortly where performance metrics will be defined and agreed.	01/09/2018
Status Update Comments	Revised Date
This action will fall in line with the new service desk application.	29/11/2019

Ashfield District Council – Audit Progress Report

Depot Investigation	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>The Zeus time recording system was not being used fully and consistently across the Service.</p> <p>We recommend that Management ensure that employee time is recorded accurately, fully and consistently. Management should perform adequate checks to ensure time recording systems are being used as expected and hold staff to account where appropriate. Training should be given to staff where required and supported by procedural guidance notes.</p>	Moderate Risk
Management Response/Action Details	Action Date
Review of time recording systems and policy. Training and reminder messages for managers and officers. Introduce spot checks.	30/09/2019
Status Update Comments	Revised Date
Policy has been reviewed and circulated to trade unions. Training is still to be finalised. Due to other commitments, deadline needs to be extended to 31/12/2019.	31/12/2019

Depot Investigation	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>We were informed by the Investigating officer that the Transport Manager's Purchase card had been photocopied and was available for use, unsecured in the general office.</p> <p>We recommend that the all Purchase Card holders are reminded of the corporate policy and their personal responsibilities in relation to holding a card. Management should take appropriate action where instances of misuse are found.</p>	Moderate Risk
Management Response/Action Details	Action Date
Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training.	31/10/2019
Status Update Comments	Revised Date
Policy to be reviewed and training/information provided to relevant Officers by 31/10/19. Due to other commitments deadline will need to be extended until 31/12/2019.	31/12/2019

Depot Investigation	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
<p>There were variances between Directorates over the controls in place for the authorisation and the recording and retention of supporting information for Purchase card usage.</p> <p>We recommend that corporate guidance is provided to Card holders which detail how they should be authorising and recording card purchases and the requirements for supporting information retention. The use of Purchase cards should be subject to regular Management oversight.</p>	Moderate Risk
Management Response/Action Details	Action Date
Carry out a review of the policy and procedure and then roll out to officers through the provision of information and training. The revised policy will include a process for ensuring management oversight.	31/10/2019
Status Update Comments	Revised Date
Due to other commitments, the deadline will need to be extended to 31/12/2019.	31/12/2019

Ashfield District Council – Audit Progress Report

Risk Registers	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
<p>Corporate Leadership Team and the Audit Committee did not appear to be reviewing the Council's Corporate Risk Register in line with the timetable stipulated within the Corporate Risk Management Strategy and Process document.</p> <p>We recommend that the Corporate Leadership Team and Audit Committee review the Council's corporate risks in accordance with the quarterly time frequency stipulated within the Corporate Risk Management Strategy and Process document. Regular review and monitoring of risks is fundamental to embedding a risk management framework along with a commitment to ensuring the risk process is continuous and high-profile.</p>	Moderate Risk
Management Response/Action Details	Action Date
Agree to ensure quarterly review of corporate risks at CLT – update CLT tracker. Discussed with Director of Legal and Governance and Monitoring Officer more appropriate to review corporate risk twice a year at Audit Committee.	30/09/2019
Status Update Comments	Revised Date
There has been liaison with secretaries to schedule a quarterly tracker for discussion of risk at CLT. After deliberation this has now been added to the tracker. It has been agreed that the next meeting at CLT to discuss this will be in October rather than September so we can consider fully the impact of the new Corporate Plan (being agreed at Cabinet next week) upon the corporate risk register. The intention is to then go to Audit Committee in December rather than this month. Risk was last reported to Audit Committee on 11th March.	31/12/2019

Risk Registers	Rec No. 3
Summary of Weakness / Recommendation	Risk Rating
<p>The Council had not formally considered and documented its risk appetite.</p> <p>We recommend that the Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability. We recommend that the Council formally assesses and documents its risk appetite as soon as practically possible. As a core consideration of the Council's risk management approach, formally documenting its risk appetite could help the Council to make informed decisions, achieve its goals and support sustainability.</p>	Moderate Risk
Management Response/Action Details	Action Date
Risk appetite has now been assessed for all corporate and service level risks and incorporated into reports. To continue this approach for Audit Committee reporting.	30/09/2019
Status Update Comments	Revised Date
The analysis of the risk appetite has been prepared on a service by service area basis. This was also completed for our corporate risks last October and now in place for all the service areas. Action date revised to January 2020 to allow time to consider whether the requirements set out in the strategy continue to meet the Council's needs.	31/01/2020

Ashfield District Council – Audit Progress Report

STATUS OF PREVIOUS AUDIT RECOMMENDATIONS

Recommendations Not Implemented

There were a number of Audit Recommendations that were issued and agreed prior to Ashfield District Council joining the Central Midlands Audit Partnership. One legacy recommendation remains outstanding relating to Ashfield Homes Ltd. This will continue to be monitored and details are provided below.

Ashfield Homes Ltd – Outstanding Recommendations

Report	Recommendation	Responsible officer	Due date	Update
C Housing Maintenance 15/16-10	The full review of the in-house Schedule of Rates is given an end target date, and progress is monitored and reported to SMT.	Responsive and Voids Maintenance Manager & Support Services Manager	31/03/20	A full programme is in place to complete the review of the schedule of rates. Progress of this will be monitored through Senior Management Team Update 16/11/2016 Potentially looking at buy off the shelf paperless system and therefore changing the system altogether. Update 01/02/2017 – No further updates. Any action has been put on hold as there is a service review underway. Update 10/07/2017 – The full review of in-house Schedule of Rates is now in progress. Update 10/07/2018 - This recommendation is now tied in to a significant service review that will involve changes to IT, service delivery and restructures. As part of the service review both in-house and national Schedule of Rates are being considered. Update 28/06/2019 – The Schedule of Rates review programme stalled when the Officer allocated this work left for another department. An Administration Officer, assisted by a Technical Officer, has since picked up a lot of this work. Progress has started to increase and IT orders are being placed.

Page 87

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

This page is intentionally left blank