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ASHFIELD DISTRICT COUNCIL

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

Agenda

Audit Committee

Date:	**Monday, 28th March, 2022**
Time:	**7.00 pm**
Venue:	**Committee Room, Council Offices, Urban Road, Kirkby-in-Ashfield**

For any further information please contact:

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01623 457317

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Audit Committee

Membership

Chairman: Councillor David Walters

Councillors:

John Baird	Jim Blagden
Will Bostock	Christian Chapman
Kevin Rostance	Dave Shaw

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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.

Theresa Hodgkinson
Chief Executive

AGENDA		Page
1.	**To receive apologies for absence, if any.**	
2.	**Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests.**	
3.	**To receive and approve as a correct record the minutes of the meeting of the Committee held on 31 January 2022.**	5 - 10
4.	**ICT Inventory Review - Verbal Update.**	
5.	**Homes England Compliance Audit Report 2021/22.**	11 - 20
6.	**Corporate Risk Update.**	21 - 90
7.	**Accounting Policies for 2021/22 and other Statement of Accounts Matters.**	91 - 112
8.	**Pension Assumptions for the 2021/22 Statement of Accounts.**	113 - 166
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10.	**Internal Audit Plan 2022-23 and Audit Charter.**	185 - 198
11.	**Corporate Governance and Anti-Fraud Update.**	199 - 258

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AUDIT COMMITTEE

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

on Monday, 31st January, 2022 at 7.00 pm

Present: Councillor David Walters in the Chair;

Councillors John Baird, Jim Blagden, Kevin Rostance and Dave Shaw.

Apologies for Absence: Councillors Will Bostock and Christian Chapman.

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

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

AC.18 Declarations of Disclosable Pecuniary or Personal Interests and/or Non-Registrable Interests

No declarations of interest were made.

AC.19 Minutes

RESOLVED
that the minutes of the meeting of the Committee held on 18 October 2021, be received and approved as a correct record.

AC.20 Mazars: Follow Up Letter - Audit Completion Report for Ashfield District Council

The Corporate Finance Manager (and Section 151 Officer) presented the Follow Up Letter to Committee and advised that all outstanding matters were now complete.

In relation to the audit of Property, Plant and Equipment, the local Audit Team had identified two internal control recommendations that needed to be bought to the attention of Members and these were in relation to the following:

Medium Deficiencies in Internal Control

1. A difference had been identified between source records maintained by the Council and the Valuer in relation to floor areas that has led to a misstatement in the value of land and buildings. It was agreed that the Council needed to ensure that accurate records were maintained for all assets and an annual reconciliation between base data and information provided by the Valuer was carried out.

2. A few instances had been identified where there had been no clear audit trail regarding source evidence and calculations used within the Property Beacon valuation approach. It was agreed that the Council should ensure that working papers are kept up to date and that there is a clear audit trail available.

In relation to the Value for Money conclusion, this was not available at the present time but was on course to be given by the deadline date of 30 March 2022. Work carried out to date had not identified any problems.

RESOLVED
that the Follow Up Letter from Mazars outlining the conclusion of pending matters for the year ended 31 March 2021, as presented, be received and noted.

AC.21 Appointment of External Auditors from 2023/24

The Corporate Finance Manager (and Section 151 Officer) outlined the proposals for appointing an external auditor to the Council, for the accounts for the five-year period from 2023/2024.

Public Sector Audit Appointments (PSAA) were now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. All local government bodies continued to have the option to arrange their own procurement and make the appointment themselves (or in conjunction with other bodies), or they could join the national collective scheme administered by the PSAA.

RESOLVED
that Council be recommended to accept Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors for five financial years from 1 April 2023.

AC.22 Capital Strategy 2022/23

The Chief Accountant presented the refreshed and updated Capital Strategy for 2022/23. Changes made to Annexes 1 and 2 were presented and Members were asked to note that the Commercial Investment Property indicators (Annex 2) had been recalculated for the actual 2020/21 performance, the latest forecast for 2021/22 and the latest estimates for 2022/23 onwards.

CIPFA had issued a revised Prudential Code in December 2021 that stated that authorities "must not borrow to invest primarily for financial return". It was acknowledged that these recent changes to the Code aligned to the Council's earlier decision to remove any further investment property purchases from its Capital Programme and Capital Strategy from 2021/22.

RESOLVED that

a) the content of the Capital Strategy for 2022/23 including Annexes 1-3, be received and noted;

b) Cabinet be recommended to approve the:

- Capital Strategy
- Commercial Property Investment Strategy; and
- Commercial Property Indicators.

AC.23 Treasury Management Strategy (TMS)

The Chief Accountant presented the report and asked Committee to consider the Treasury Management Strategy for the 2022/23 financial year, as presented and to note the changes as follows:

Annual Investment Strategy
Members were advised that the minimum sovereign country credit rating had been reduced from AAA to AA+ and Pooled Funds had been added to types of investments the Council can use.

Operational Boundary and Authorised Limits
The proposed Operational Boundary had been set at a level slightly above the Capital Financing Requirement (CFR) to allow for working capital requirements. The rationale for doing this was to ensure that the Council's capital programme could still be financed should the expected non borrowing funding not become available.

Minimum Revenue Provision (MRP) Policy
Consultation was currently being undertaken (ending on 8 February 2022) regarding the Department for Levelling Up, Housing & Communities (DLUHC) Statutory Minimum Revenue Provision Guidance. If the proposals remained to prohibit capital receipts being used to replace MRP charges in year, then this would require a change to the MRP policy. Any changes to the Policy would be reported through the Committee as required.

Prudential Indicators
A new indicator had been included which showed the ratio of financing cost to net revenue stream including investment property income. The indicator showed the positive effect that the Council's investment properties currently make to the Authority.

Revised CIPFA Code
CIPFA had issued a revised Treasury Management Code in December 2021, with the new Code becoming effective from 2023/24.

RESOLVED that

a) the content of the Treasury Management Strategy (TMS) for 2022/23, including the changes to the Annual Investment Strategy, be received and noted;

b) Cabinet be recommended to approve the Treasury Management Policy Statement incorporating:

- Treasury Management Strategy Statement (TMSS)
- Borrowing Strategy
- Annual Investment Strategy
- Minimum Revenue Provision (MRP) Policy;
- Prudential Indicators and Treasury Management Indicators
- Treasury Management Practices: Risk Management.

AC.24 Audit Progress Report

Mandy Marples, CMAP Audit Manager, presented the report and summarised audit progress as of 19 January 2022.

Members were asked to note one change to the plan. A 'People Management' Audit had been planned to review the Council's system for administering Annual Leave but the Council had experienced difficulties getting all employees onto a new system. It had therefore been removed from the plan and some further work on the Risk Management Audit that is currently underway had been undertaken.

Four pieces of work had been finalised since the last meeting and three had received reasonable assurances:

Debtors
Selective Licensing
IT Key Controls 2021-22
Homes England Grant Certification (assurance rating not applicable).

Members also received an update in relation to outstanding recommendations and were advised that a revised completion date of 28 February 2022 (in relation to the Depot Investigation and the Medium Term Financial Plan), had been agreed since publication of the progress report.

To conclude, Committee were asked to note that the Director of Resources and Business Transformation would be submitting a written update to the next meeting, to advise Members on progress regarding the ICT Asset Inventory update.

RESOLVED
that audit assignment progress as of 19 January 2022, as presented to Committee, be received and noted.

AC.25 Section 100A Local Government Act 1972: Exclusion of the Press and Public

RESOLVED
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 paragraph 3 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.

AC.26 Investment Property Performance 2021/22 as at 30 December 2021; (Exempt by virtue of Paragraph 3)

The Council's Chief Accountant gave Members an update regarding performance and monitoring of the Council's Commercial and Investment Property portfolio as at 31 December 2021.

RESOLVED
that performance in relation to the Council's Commercial and Investment Property portfolio as at 31 December 2021, as presented, be received and noted.

The meeting closed at 7.47 pm

Chairman.

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Ashfield
DISTRICT COUNCIL

Report To:	**AUDIT COMMITTEE**
Date:	**28TH MARCH 2022**
Heading:	**HOMES ENGLAND COMPLIANCE AUDIT REPORT 2021/22**
Portfolio Holder:	**CLLR T HOLLIS – PORTFOLIO HOLDER FOR HOUSING & ASSETS**
Ward/s:	**SKEGBY / SUTTON CENTRAL**
Key Decision:	**NO**
Subject to Call-In:	**NO**

Purpose of Report

Homes England ask that audits are completed on new affordable housing developments being funded through their affordable housing programmes to ensure compliance with policies, procedures and funding conditions. The purpose of this report is to advise Members of the findings of the Compliance Audit Report – 2021/22 conducted on the Council's first affordable housing development scheme in Sutton in Ashfield and to seek approval of the steps taken to address the identified breach.

Recommendation(s)

To note the findings from the Homes England Compliance Audit Report – 2021/22.

To approve the steps taken to address the breach identified in the Audit Report and the processes in place to reduce the risk of future audit failure.

Reasons for Recommendation(s)

It is important the Council acknowledges the breach identified in the Homes England Compliance Audit Report and takes appropriate action to reduce the risk of future audit failure.

It is part of the grant conditions that the outcome of the Homes England audits are reported to the Council's senior management team and relevant Committee.

Alternative Options Considered

None

Detailed Information

The Council has embarked on an ambitious £10m affordable development programme, aimed at delivering 100 new homes over a 5 year period.

The Council receives financial support from Homes England for its new build homes, this helps ensure the financial viability of the scheme. Typically Homes England funding covers 25 - 30% of the build costs.

In January 2021 the Council began its first development, termed Sutton In-fill, it included the development of 4 bungalows on former community centre sites at Poplars and the Beeches and 5 family homes on a former car park on Stoney Street.

In June 2021 the Council received notification from Homes England that an independent audit of the Sutton In-fill scheme was required. Through the audit process Homes England were seeking assurance that organisations receiving grant have met with all of their requirements and funding conditions and that providers have properly exercised their responsibilities as set out in the Capital Funding Guide, contract and any other supplementary compliance audit criteria.

The scope of the audit includes matters such as compliance with grant conditions, compliance in rent setting, contractor appointment and management and compliance in obtaining relevant planning and other approvals.

Arrangements were made for Central Midlands Audit (CMAP) to conduct the audit in accordance with Homes England requirements. A copy of the report was forwarded to Homes England for their Lead Auditor to review and record any breaches.

The Compliance Audit Report awards providers a red, amber or green grade based on the number and severity of breaches recorded.

- Green Grade – the provider meets the requirements through identifying no high or medium breaches.
- Amber Grade – one or more high or medium breaches but not misapplied public money.
- Red Grade – one or more high level breaches and there has been a risk of misapplication of public funds.

In January 2022 the Council received Homes England's Compliance Audit Report – 2021/22. The Audit concluded that the Council had failed to meet requirements as one high level breach (red grade) had been identified. The full Homes England Compliance Audit Report – 2021/22 is attached at Appendix A.

The general interaction between the Council and Homes England is via Homes England's computer based system 'IMS'

Audit Findings

The table below sets out the detail of the breach, the steps the Council has taken to address the issue and the processes in place to reduce the risk of future audit failure;

Scheme name	Breach level	Breach Details	ADC Procedure put in place
Sutton In-fill	High	Start on site funding was drawn down from Homes England when there was no formal build contract in place. The Capital Funding Guide states that start on site funding can only be drawn down when there is a signed build contract in place. Preliminary works on site had commenced. At the point of drawing down funding the Council had a Letter of Intent in place with the contractor and was finalising the contract prior to signature.	No Homes England funding will be drawn down on the IMS system until all appropriate funding requirements have been met and this has been signed off by the Project Lead and approved by the Service Manager. Certification and contract checklist has been formulated to ensure all relevant documents and dates are correct prior to drawing down funding. All relevant dates and financial aspects are discussed and reviewed at a bi-monthly development meeting involving the Housing Development Team and the Finance Team. Once approved, the Project Manager and Service Manager will together input all relevant information onto the IMS system.

The Council has written to Homes England to accept the findings of the audit and to confirm that appropriate steps are being taken to address the breach. Whilst officers are of the opinion that the breach did not result in the misappropriation of public monies, we do accept that drawing down start on site funds when there was not a signed contract in place with the developer was in breach of the Capital Funding Guide.

The Director of Housing and Assets (Deputy CEO) has held a meeting with the Lead Regulator in order to assist in ensuring future compliance with Homes England requirements. It was also confirmed that Ashfield District Council does not need to provide a detailed response back to Homes England but does need to acknowledge the matter has been formally raised and discussed, at the appropriate Committee, on the IMS system.

The outcome of the Audit and the necessary follow up actions have also been presented to the Corporate Leadership Team and the Council's Leadership.

It is highly likely that Homes England will request an audit of the Council's next affordable development scheme, the Hucknall Garage In-fill sites. Officers are currently reviewing all processes and procedures, not just those associated with the breach outlined above, to ensure the service is complaint with funding conditions.

The first homes delivered as part of the Council's Affordable Housing Development Programme have been of exceptional quality and will help the Council's corporate objective of ensuring there is sufficient decent and affordable homes in the District.

The CMAP audit report included a few further comments including specifics relating the Homes England IMS system. The audit identified a need for a dedicated and trained officer to maintain and update the system on behalf of the Council, taking advantage of Homes England training courses to improve competency. The system was identified as not being particularly user-friendly, especially for those new to it. The Council will act upon the comments.

Implications

Corporate Plan:

Legal:

There are no significant legal implications arising from this report. [RLD 04/03/2022]

Finance: No direct financial implications arising from this report. [PH 02/03/22].

Budget Area	Implication
General Fund – Revenue Budget	N/A
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	Mitigation
Potential future loss of Homes England funding if further high level breaches are identified on future audits	The Sutton In-fill development was the Council's first affordable housing development and officers have had limited experience and exposure to the Homes England regime and expectations. Officers are gaining more experience and understanding of the expectations and requirements of Homes England. All processes that relate in some way to Homes England funding are being reviewed to ensure full future compliance.

Human Resources:

None

Environmental/Sustainability

None

Equalities:

None

Other Implications:

None

Reason(s) for Urgency

N/a

Reason(s) for Exemption

N/a

Background Papers

N/a

Report Author and Contact Officer

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Compliance Audit Report – 2021/22

37UB – Ashfield District Council

Final Grade	Red - Serious failure to meet requirements
Independent Auditor Organisation	Central Midlands Audit
Independent Auditor Name	Gary Radford

Report Objectives and Purpose

Compliance Audits check Provider compliance with Homes England's policies, procedures and funding conditions. Standardised checks are made by Independent Auditors on an agreed sample of Homes England schemes funded under affordable housing programmes. Any findings, which may be a result of checks not being applicable to the scheme or an indication of procedural deficiency, are reported by the Independent Auditor to both the Provider and Homes England concurrently. The Homes England Lead Auditor reviews the findings and records those determined to be 'breaches' in this report. Breaches are used as the basis for recommendations and final grades for Providers. Grades of green, amber or red are awarded; definitions are provided on page 2 of this document.

Further information is available at: https://www.gov.uk/guidance/compliance-audit.

Provider's Acknowledgement of Report

The contents of this report should be acknowledged by your Board's Chair or equivalent. Confirmation of this acknowledgement should be recorded in the IMS Compliance Audit System by your Compliance Audit Lead on behalf of your Board's Chair or equivalent. Online acknowledgement should be completed within three calendar months of the report email notification being sent.

Confidentiality

The information contained within this report has been compiled purely to assist Homes England in its statutory duty relating to the payment of grant to the Provider. Homes England accepts no liability for the accuracy or completeness of any information contained within this report. This report is confidential between Homes England and the Provider and no third party can place any reliance upon it.

Compliance Audit Grade Definitions

Green Grade	No high or medium severity breaches identified, although there may be low breaches identified. The Homes England audit report will show that the provider has a satisfactory overall performance but may identify areas where minor improvements are required.
Amber Grade	One or more medium severity breaches identified. The Homes England audit report will show that the provider has failed to meet some requirements but has not misapplied public money. The provider will be expected to correct identified problem(s) in future schemes and current developments.
Red Grade	One or more high level severity breaches identified, the Homes England audit report will show that the provider has failed to meet some requirements and there has been a risk of misapplication of public funds.

Compliance Audit Grade and Judgement

Final Grade	Red - Serious failure to meet requirements
Judgement Summary	On review of the evidence provided, the outcome of the audit has shown the provider has failed to comply with some programme requirements, there is a risk of misapplication of public funds and grant has been claimed in advance of need. A RED grade has been assigned. The audit has identified one high severity breach. The breach relates to the main building contract not being signed or dated prior to start on site grant claim submission. We wish to emphasise that implementing appropriate systems and procedures to meet Homes England contractual requirements and funding conditions is essential to ensure there is no future risk of misapplication of public funds. It is also vital that checks are implemented to ensure grant is not claimed until all the relevant conditions and certifications required prior to grant claim are met and obtained. The provider is responsible for ensuring remedial action is taken in accordance with the recommendations listed in the Compliance Audit system to ensure further breaches of this nature do not reoccur in the future and Capital Funding Guide requirements are met.

Scheme/Completions details

Scheme ID/ Completion ID	Address/Site ID	Scheme type
1010929	The Poplars Com CentreCharles Street,NG17 4LG	Rent

Homes England

Audit Results

Number of Schemes/Completions Audited	1
Number of Breaches Assigned	1
Number of High Severity Breaches	1
Number of Medium Severity Breaches	0
Number of Low Severity Breaches	0

Details of Breaches by Scheme/Completion

Where there are breaches identified, remedial action must be taken in accordance with recommendations listed in the Compliance Audit Module to mitigate the potential for re-occurrence.

Breach 1

Scheme/Completion ID	1010929
Address/Site ID	The Poplars Com CentreCharles Street,NG17 4LG
Breach severity	High
Breach description	14. Start on Site grant payment claimed in advance of need. This applies where, at date of Start on Site claim: a)The works contract was not signed and/or dated by all parties; b)Contractual possession was not passed to contractor; c)Secure legal interest had not been obtained (e.g. no proof of ownership/lease/building under licence); d)Start on Site works were not commenced according to CFG definition
Breach comment	The audit has identified that the start on site grant payment was claimed in advance of need. Prior to submission of start on site grant claim the main building contract had not been signed and dated by all parties. Start on site grant was claimed on 11th January 2021 and the building contract was not signed until 22nd March 2021. We understand a letter of intent was issued in its place but this does not meet the requirements of the Capital Funding Guide. We also note the comments regarding the signing of the build contract with the contractor being delayed due to issues with completing and signing the contract with Homes England. The Homes England grant agreement contract for this scheme was signed on 07th January 2021 which was before grant was claimed and before start on site had

	commenced. We also note that demolition took place prior to start on site being claimed but no evidence was provided to the Independent Auditor to support this.
Recommendation	The Provider should review their processes and add the necessary steps to prevent similar issues reoccurring in the future. Please ensure the revised process meets the Capital Funding Guide requirements and funding conditions. The provider is also expected to revise and correct the identified issue in all current grant funded developments.

Report To:	**AUDIT COMMITTEE**
Date:	**28TH MARCH 2022**
Heading:	**CORPORATE RISK UPDATE**
Portfolio Holder:	**COUNCILLOR KIER BARSBY, PORTFOLIO HOLDER FOR CUSTOMER SERVICES, CORPORATE CHANGE AND DIGITAL TRANSFORMATION**
Ward/s:	**ALL**
Key Decision:	**NO**
Subject to Call-In:	**NO**

Purpose of Report

For Audit Committee to review the Corporate Risk Register and the analysis of movement in risk and mitigating actions in respect of those risks. To also consider the outcome of a recent audit of Corporate Risk.

Recommendation(s)

- **To note the current significant items on the Risk Register and to consider whether any further immediate actions are necessary to mitigate those risks.**
- **To consider recent audit recommendations and proposed updates to the Corporate Risk Strategy**

Reasons for Recommendation(s)

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

Alternative Options Considered

(with reasons why not adopted)

None

Detailed Information

All organisations are required to consider potential risks which may impede the delivery of corporate objectives. Effective risk management 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, through actively managing and mitigating risk effectively and innovatively. The management of risk forms an integral part of the Council's business. Effectively managing our risks means that we can maximise opportunities and minimise the costs and disruption to the Council which may possibly be caused by undesired events.

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 – Corporate Services and Transformation.

In summary, despite the impacts of the pandemic, overall, the current corporate risk position indicates the positive management of risk:-

- 100% of corporate risks have been effectively managed without an increase in risk assessment rating over the last 12 months
- Positively, 30% of corporate risks have been effectively managed and mitigated with a reduction is risk assessment rating over the last 12 months

Corporate Risk Register

The Corporate Risk Register (position as at end February, 2022) is appended to this report.

Analysis of risks - Risk Rating Summary

	2014/15 Qu4	2015/16 Qu4	2016/17 Qu4	2017/18 Qu4	2018/19 Qu4	2019/20 Qu4	2020/21 Qu4	2021/22 Qu 3
Significant	10	10	9	7	4	12	9	9
Medium	9	7	6	10	10	12	13	12
Low	7	5	2	3	6	4	2	4
Total	26	22	17	20	20	28	24	25

The total number of Corporate Risks have maintained over the last 12 months, with a similar level of significant rated risks over the same period.

Those risks which remain significant are:-

- Sustainability of HRA business plan to invest in current and new stock.
  There is ongoing work to understand the cost implications of new Housing regulations and the cost of making the housing stock more energy efficient aligned to achieving Carbon Net Zero by no later than 2050.

- Having an adopted LDF/Local Plan
  The Council is still waiting for a Government response.

- Planning appeals
  Currently awaiting the outcome of the Ashlands Road appeal which will influence risk moving forward.

- Ability to meet statutory obligation process timescales (eg gas servicing)
  Due to the Coronavirus Pandemic a number of changes have been made to the Property Health and Safety Check / Service processes to adapt to the current situation.

  Whereby a Tenant does not wish to allow access to their home due to their interpretation of social distancing and shielding, has tested positive or is self-isolating due to symptoms etc. then we will not enter the property to undertake this work.

- Ability to comply with the regulatory regime set out by the Regulator of Social Housing
  Additional resources are being looked at as the new regulatory regime will require additional work within the Housing and Asset Directorate and support from other sections e.g. Performance Team.

- Workforce planning – inability to recruit and/or retain to critical posts.

  Vacancies, recruitment and retention to critical posts including use of Market Supplements Policy continues to be monitored aligned to the national shortage of suitable candidates and pressures on all local authorities to recruit and retain

  Work continues with LGA to support managers in exploring and implementing workforce planning strategies involving succession planning, apprentices, graduates, 'grow your own' temporary and long term use of external capacity and expertise.

  Project initiated to review current approaches to recruitment and selection to enhance Council as an Employer of Choice recognising the changing needs and work/life balance of people through the pandemic.

  Due to national labour shortages and pressures affecting all markets at all levels, East Midlands Councils have reintroduced the Pay and Rewards working group to support Council's in underpinning their workforce plans. Additionally, the Council has commissioned an external sense check of its pay and rewards structure against current/projected market changes and also equality proofing.

- Potential impact on resource levels and capacity due to covid
  Following a recent decrease, currently employee positive cases are increasing again reflecting community transmission rates though still within manageable levels. Therefore, we need to remain cautious at this time as restrictions and changes to self-isolation and testing are implemented nationally.

- Temporary Accommodation (TA) – sufficient units to meet demand
  TA risks being managed. High occupancy levels and few vacancies means risks remain high especially in view of the high number of evictions from private rented housing now that covid related restrictions on evicting tenants have ended.

A **new risk** which had been added in quarter 2 to the Corporate Risk Register and assessed as significant: -

Legal Services – Lack of staffing resources and disruption caused by exiting Shared Service. A Project Group has been established with MDC to manage the exit from the shared service. The Group meets monthly. The aim is to agree an early exit date with MDC. A Cabinet Report regarding exiting the shared service was presented in December 2021 and Cabinet approved the establishment of an in house team. A new structure has been approved by the CEO and is currently in the process of implementation. Interviews for vacant roles took place week commencing 14 March. It has been agreed with MDC that the shared service will end on 30 June 2022. While the restructure takes place, interim staffing arrangements to fill vacancies within the budget envelope are taking place with a mixture of fixed term contracts, locums and use of external legal resources.

Weekly review of priority workloads is undertaken between the Director of Legal and Governance and Service Manager, Legal Services.

Other risks

Project related risks- continue to be managed by both internal and external project managers and where the risk is close to or exceeding the tolerances acceptable then these are referred to the project sponsors for input. A risk register is required for each project and the project management framework is to be used as guidance for the management of all projects.

Fraud Risks – An Anti-Fraud and Corruption Project Group has been set up and is chaired by the Director, Legal and Governance and has a selection of stakeholders from across the Council including a representative from The Central Midlands Audit Partnership. The group has been set up to monitor and report on fraud related risks. The group meets every 3 months with the most recent meeting taking place on 17 February 2022. The Group has carried out a full revision of the Fraud Risk Register of over the past 6 months and monitors and updates this at each meeting.

Programme Risks - The risks related to programmes are managed by each programme board that has been established. A separate Towns Fund risk register has been established and the Programme Risk Register will be reviewed by the Discover Ashfield Board.

Service Level Risks – These are managed by each individual Service Manager and where there are tolerances expected to be exceeded beyond the levels set out in the Risk Appetite Framework, these are then to be referred for discussion with the relevant Service Director who will then decide if these need to be included in the Corporate Risk Register. It may be that additional measures can be implemented in order to manage the risk and reduce the likelihood and impact.

Internal Audit

The Central Midlands Audit Partnership (CMAP) began a review in relation to risk management in October 2021 and concluded this in December 2021. The auditor made 15 recommendations, and these are appended to this report. The risk strategy has been amended to take into account the recommendations from audit and the revised strategy is appended to this report along with a summary sheet to show the changes.

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 in respect of the recommendations in the report. Legal and Governance risks are outlined in the report and in the Corporate Risk Register. [RLD 16/03/2022]

Finance: [PH 15/03/22].

Budget Area	Implication
General Fund – Revenue Budget	There may be future 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	• 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. [KB 15/03/22]

Environmental/Sustainability

No direct implications

Equalities:
No direct implications

Other Implications:

Reason(s) for Urgency

None

Reason(s) for Exemption

None

Background Papers

Detailed Corporate Risk Register – Quarter 3 Position 2021/22

Report Author and Contact Officer

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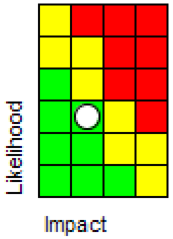
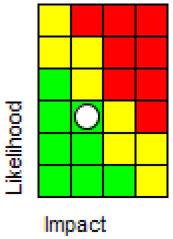
Craig Bonar – Director, Resources and Business Transformation

Corporate Risk Register

Rows are sorted by theme

Financial

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Ability to identify savings required by MTFS			Constant	• Council cannot fund full range of services in future • Pressure on General Fund reserves	CLT and Cabinet work together to identify savings and income generation opportunities and to consider use of reserves in setting the budget for each year	Pete Hudson	The Council is able to set a balanced budget for 2022/23 without the need to draw down any of its General Reserve. The one year financial settlement from Government for 2022/23 does make medium term financial planning more difficult, particularly now that the future operation of the Business Rates system is to be reconsidered. However, there is expected to be a significant financial challenge beyond 2022/23	26-Jan-2022

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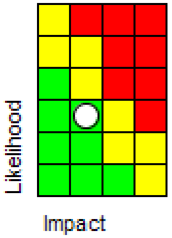
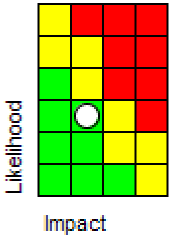
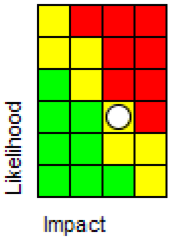
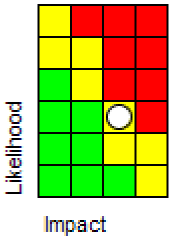
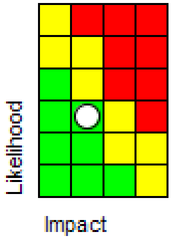
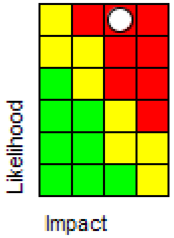
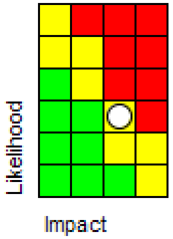
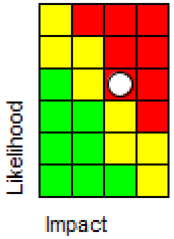
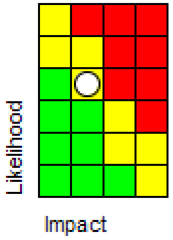
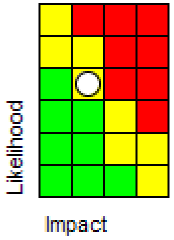
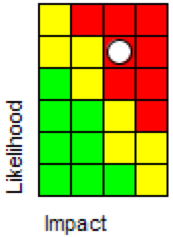
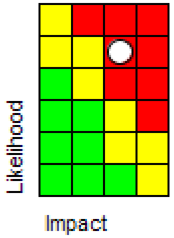
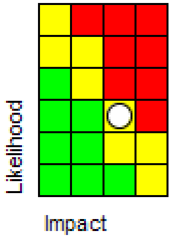
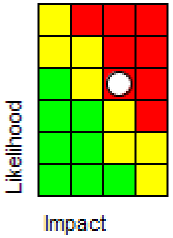
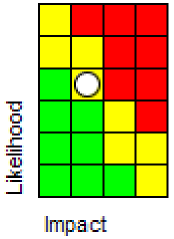
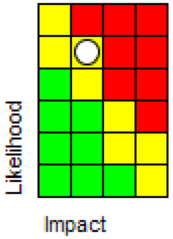
							and CLT and Cabinet will continue throughout the year with the 6 weekly Budget Workshops to identify and consider savings and efficiencies to address the future financial challenges.	
Business Rates appeals within forecast			Constant	Negative impact a MTFS ; further savings required	A prudent approach is taken to estimating likely successful appeals.	Diane Mitchell; Craig Scott	The Business Rates Appeals provision for 2021-22 was set based upon a careful assessment of outstanding appeals, taking into account as far as possible, new Appeals received during 2021-22. The Appeals provision is more than sufficient to cover the expected successful appeals during 2021-22.	06-Jan-2022
Level of central government funding 2022 onwards			Constant	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.	Pete Hudson	As per email request from Pete Hudson, title changed to reflect 2022 onwards	26-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Introduction of Universal Credit			Reduced to low	• Potential loss of HRA rental income if tenants receiving UC choose not to pay their rent e.g. they spend this on elsewhere.	The CAB operates an agency agreement with the DWP to assist residents who wish to claim UC. The Council has referral arrangements in place with the CAB. ; Income Officers within the Income Team have all been trained to deal with UC cases. ; There is a formalised internal process for managing UC cases	Nicky Moss; Paul Parkinson;	The transition from Housing Benefit to Universal Credit is embedded now and appropriate processes are in place to manage cases. Managed migration of UC cases is expected in the future (no date confirmed but pilots are underway). It is likely that we only receive 4 weeks' notice.	08-Mar-2022
Commercial property investment			Reduced to medium	• In alignment with Savings Strategy – expected reduced trading service costs/ increase income not realised • Reputational impact of trading services performing inconsistently with Council values • Alienation of customer base	Robust monitoring arrangements for portfolio – stability of tenant, stability of market and macro economics ; Ensure adequate lease length (greater than 7 years) ; Ensure tenant has good financial standing and passes regular credit analysis (D+B) ; Property reserve to	Pete Hudson	All tenants, with the exception of the Hotel, continue to pay their rents and it is not envisaged this will change into the future. The agreement with the Hotel is that they would pay 10% of turnover which to date has been minimal. This loss of income is being fully mitigated through Covid funding.	26-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
					offset short term voids			
Idlewells Shopping Centre – Potential for Business Owners (Elandi) in Administration			Constant	Centre closure / reduced offer: Economic – loss of income from business rates Economic – reduced rental income from Indoor market Economic – Employment offer reduced Economic – Centre in decline / wider investment through Towns fund Physical – maintenance and repairs issues indoor market	Working relationship with Centre's management team ensuring fully aware of financial position as far as reasonably practical	Trevor Middleton	Working closely with Ashdown Philips to ensure our indoor market promotions work positively in conjunction with the retail offer of the shopping centre.	27-Jan-2022
Sustainability of HRA business plan and ability to invest in current and new stock			Constant	Inability to provide services and meet regulatory requirements Inability to build new housing stock Inability to cross fund general fund services	Regular review of HRA 30 Year Business Plan White Paper Action Plan	Phil Warrington	No change to risk. Business Plan under regular review. Additional H&S related costs relating to new regs currently being worked on.	04-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Ability to deliver Towns Fund and Future High Streets Programme			Reduced to medium	Opportunity lost to regenerate and re-purpose town centres and local centres Reputational damage	Specialists will be appointed to support business case development for Towns Fund and Future High Streets Funding projects ; Future High Streets Fund and Towns Fund delivery monitored through Pentana, Regen, Board and Discover Ashfield Board ; Team structure being reviewed to ensure sufficient resource	Sarah Daniel	Agreed at CLT to increase the consultancy resource so the risk will reduce.	25-Jan-2022
Loss / delays in receipt of key income sources (Business Rates, Council Tax, Housing and Investment Property Rents)			reducing	Loss of income - increased write offs. Delays in receiving income leading to potential cashflow issues. Increased debt management and recovery costs. Potential impact on payment of preceptors and having sufficient income to meet	Government deferral of paying Central Business Rates contribution until end of June 2020. ; Reserve to cushion delays in payment of Investment Property income. Arrangements in place with some Investment Property tenants re agreed delays in rent income. (Exceptions basis only). Currently expected that	Pete Hudson	The impact of the pandemic will continue to see permanent reductions in some income sources and delays in income receipts. This is monitored on an ongoing basis and key impacts reported through to CLT and Cabinet via Financial Monitoring reports. CIWG also receives regular update reports regarding Investment and Commercial Property	26-Jan-2022

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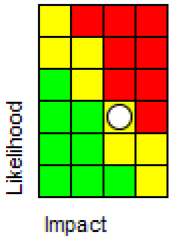
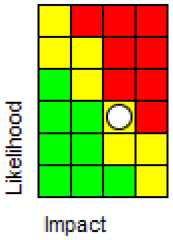
				cost obligations as they fall due.	all accounts will be up to date by 31/03/21. ; Healthy HRA balances to manage short term cashflow issues from reductions/delays in housing rent ; Option to scale back costs associated with non-critical functions.		income performance with twice yearly reports to Audit Committee. Any significant permanent loss of income will be reflected in updates to the MTFS. The 2021/22 income loss on the Hotel Investment Property is fully mitigated through the use of the Council's Covid funding. .	

Legal & Regulatory Risk

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Ethical Governance - ability to implement changes to the Members' Code of Conduct and recommendations of the Committee on Standards in Public Life (CSPL) and Peer Challenge			Constant	• Significant resource to deal with implications of proposed Code of Conduct changes. • Significant resource to deal with implications of implementing the recommendation of the CSPL • Potential for negative perception of the Council which impacts upon the Council's reputation • Potential for adverse impact upon the workings of the Council • Without new	Ongoing work by the Standards and Personnel Appeals Committee in relation to the the Committee on Standards in Public Life - report on Local Government Ethical Standards ; Members received training regarding the Code of Conduct, their behaviours and roles and responsibilities as part of the induction in May 2019. In line with the Corporate Peer Challenge recommendation further training will be organised. ; Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee ; Responding to the	Ruth Dennis; Michael Joy	Present Quarterly Complaint Monitoring reports to Standards and Personnel (Appeals) Committee Reports relating to the Committee on Standards in Public Life - report on Local Government Ethical Standards were presented to Committee in March 2019, July 2019 and October 2019, July 2020, December 2020, March 2021. A further report will be presented at the March 2022 meeting. The Standards and Personnel Appeals Committee approved its 2021/22 work programme at its meeting in June 2021. The Work Plan includes an ongoing action to	25-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
				legislation does not provide holistic response to the recommendation of the CSPL	LGA's consultation on its draft Model Code of Conduct.		implement the CSPL Best Practice Recommendations. A working group of the Members of Committee has met on a number of occasions in order to carry out further development work regarding the Best Practice Recommendations. Items for approval were presented at the Committee meeting in December 2021 relating to use of resources and gifts and hospitality. The Committee in March 2021 recommended a revised Code of Conduct to the Council AGM. The Council at its AGM on 20 May 2021 approved the revised Code which incorporates elements of the LGA Model Code. The roll out of the new Code will now take place including revised training for Members and relevant Officers along with	

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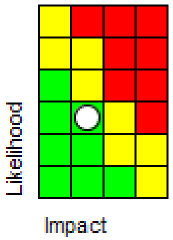
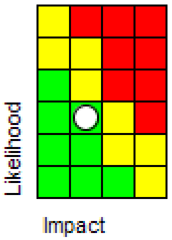
							information on the Website and Intranet. Discussions are underway with the LGA for it to potentially facilitating the training. The Corporate Peer Challenge team has recommended training for Members and Officers in relation to the roles and responsibilities of Members and officers. A revised Members' Development Strategy was approved in December 2021. SOLACE is currently facilitating training with Cabinet Members in the first instance regarding their roles and responsibilities.	
Ability to achieve efficiencies and compliance from procurement reviews / improvement			Constant	• Penalties for non-compliance with legislation • Inability to meet MTFS savings targets if procurement savings not	Agreement of a new Procurement Strategy setting out clear guidance for spending managers ; Particular emphasis on small value procurement (under	Chris Clarke	Recommendations of the review are being implemented and the training of staff in relation to contract management is underway. This should provide Officers with the skills to more effectively	15-Dec-2021

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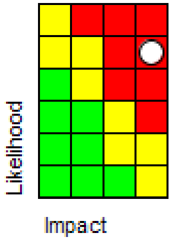
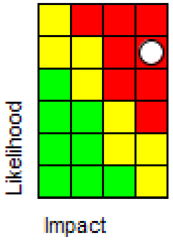
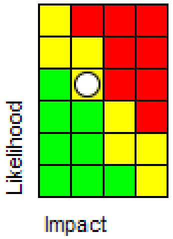
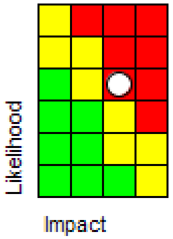
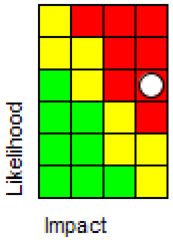
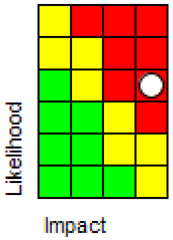
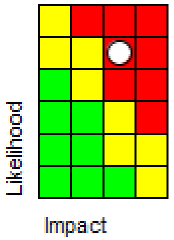
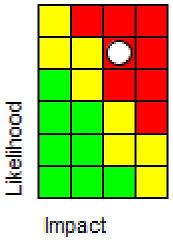
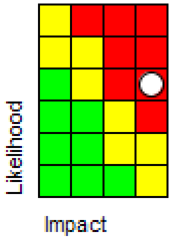
Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
				achieved	£25k) to ensure that the Council has legally compliant processes in place ; Review of Procurement Arrangements (Shared Procurement Unit) to ensure objectives are being met		manage contracts thus minimising under performance.	
Having an adopted LDF / Local Plan			Constant	• Diminish ability to stimulate economic growth • Increase likelihood of a developer lead approach to devt. • Maximises potential for a significant award of costs against the authority •Local Plan now at preferred approach. Need to publish next stage. Failure to achieve will set back timetable. •If plan requires	Regular engagement with Members to bring them on board ; Keeping abreast of latest challenges; work with Planning Advisory Service and Planning Inspectorate ; Keeping a clear audit trail of engagements with developers and consultees ; work with Elected Members to address concerns ; Provide professional guidance	Christine Sarris	The situation is still waiting government response.	11-Mar-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
				subsequent revision, will add delays.				
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			Reduced to medium	• potential fines from EU • reputational damage	Discussions with County regarding innovative options is ongoing ; Development of Scrutiny review in September 2016	Alastair Blunkett;	The Environment Bill 2021 has received Royal Assent however no Regulations have been published. The Government is yet to publish the response to a consultation that took place last may on consistency in recycling. No changes are expected for at least another 2 years at least.	16-Mar-2022
Planning appeals			constant	surpass the 10% limit and end up in special measures	Councillor training, Officer training & monitoring	Christine Sarris	One appeal exists until 2022 The planning appeals are continuously monitored. We are currently awaiting the outcome of the Ashlands Rd appeal which will influence risk moving	11-Mar-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
							forward. Officers work with members to inform them of the impacts of decision in terms of both costs and also potential interventions if performance targets are not met. Still contesting the costs for the Millers way appeal as this has a significant economic impact	
Ability to meet statutory obligation process timescales (eg gas servicing)			Constant	Loss of life through explosion or carbon monoxide Reportable breach to Housing Regulator Govt intervention and/or corporate manslaughter	Following current Govt guidelines in terms of evidencing all ‘refusals’ Tenants provided with safety leaflet relating to CO Weekly report to Housing Regulator	Chris Clipstone; Richard Davis	Due to the Coronavirus Pandemic a number of changes have been made to the Property Health and Safety Check / Service processes to adapt to the current situation. Whereby a Tenant does not wish to allow access to their home due to their interpretation of social distancing and shielding, has tested positive or is self-isolating due to symptoms etc. then we will not enter the property to undertake this work.	10-Mar-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Ability to comply with the regulatory regime set out by the Regulator of Social Housing		New march 2021	new	• Health and Safety prosecutions. • Appearing on the Regulator of Social housing's 'Watch List'. • Regulator Inspections. • Inspection downgrade following inspections. • Regulatory downgrade from current status. • Unlimited fines. • Removal of the Housing Stock. • Reputational damage to the Council.	. Monthly updates at DMT against the Housing and Asset Corporate Risks to identify early warning indicators and tolerances . Monthly review/updates against Social Housing White Paper Action Plan . Quarterly reports on performance on Complaints . Monthly updates to DMT on determinations from the Housing Ombudsman and failings from the Regulator of Social Housing for the sector . Quarterly updates on our position against Regulatory Consumer Standards . Quarterly key performance indicator report . Quarterly review of	Nicky Moss	Additional resources are being looked at as the new regulatory regime will require additional work within the Housing and Asset Directorate and support from other sections e.g. Performance Team.	10-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
					Tenant Satisfaction Measures . Quarterly FLEGAL update report			

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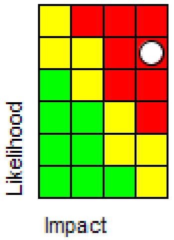
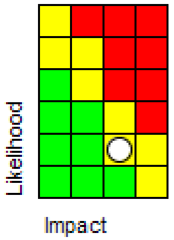
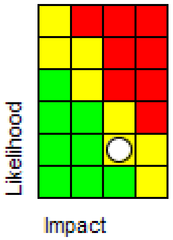
Legal & Regulatory Risk; Service Delivery

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Legal Services - Lack of Staffing Resources and Disruption Caused by Exiting Shared Service		new	new	1.Lack of staffing resources and disruption caused by the transition period involved in exiting the Legal Shared Service in early 2022 2. Could critically jeopardise the effective delivery of key projects by the Council 3.Impact on day to day activities of the Council which require legal support.	to implement new structure in accordance with Council process ; Joint Exit Plan with MDC ; Develop detailed Risk Register as part of Exit Plan ; Regular project meetings with MDC regarding Exit ; Transition Plan (ADC) to be developed ; Use of Communications Plan	Ruth Dennis	A Project Group has been established with MDC to manage the exit from the shared service. The Group meets monthly. The aim is to agree an early exit date with MDC. A Cabinet Report regarding exiting the shared service was presented in December 2021 and Cabinet approved the establishment of an in house team. A new structure has been approved by the CEO and is currently in the process of implementation. Interviews for vacant roles took place week commencing 14 March. It has been agreed with MDC that the shared service will end on 30 June 2022. While the restructure takes place, interim staffing arrangements to fill vacancies within the budget	17-Mar-2022

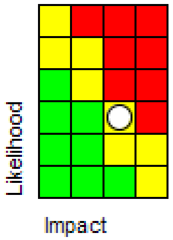
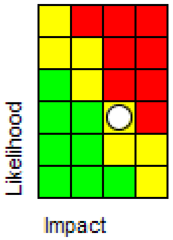
Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
							envelope are taking place with a mixture of fixed term contracts, locums and use of external legal resources. Weekly review of priority workloads is undertaken between the Director of Legal and Governance and Service Manager, Legal Services.	

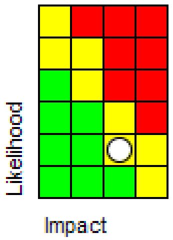
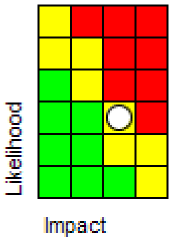
Reputational

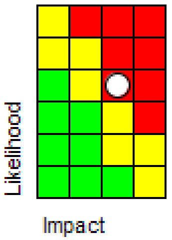
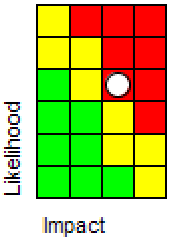
Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Leisure Centre – Ability to complete the project on time, within budget and within scope			Constant	Reputational damage Delay on delivery benefits	Project programme established, with realistic timescales set, allowing for delays. Regular meetings held with project group where programme is monitored. When construction starts progress will be reviewed at fortnightly site meetings and monthly Steering Group meetings. Liquidated damages included in contract documents. Contractor required to produce detailed programme of works and to produce action plan to rectify delay if work falls behind programme. Reputational Damage due to cost/ time overrun and all Publicity	Theresa Hodgkinson; Darowen Jones	Project continues to deliver through challenging periods due to loss of workforce through COVID related absences. Construction onsite is progressing through the above challenges and utility connections are currently ongoing following some delays with statutory authorities. Project remains within it's financial parameters. Ongoing discussions with main contractor Kier with regards to COVID and Brexit related challenges.	31-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
					and contact with media to be managed by Corporate Communications section. Project manager being appointed to ensure that the project is kept to programme and costs.			

Service Delivery

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Levels of sickness absence			Constant	• Productivity • Financial • Employee morale • Service delivery • Remaining staff placed under increased pressure • Reputational damage	Robust management of sickness absence procedures by managers and robust procedures – Revised Absence Mgt Policy implemented ; Effective monitoring – monthly monitoring reports highlighting service area absence to assist CMG and managers in absence management ; Employee support mechanisms – Employee assistance programme implemented ; Appropriate occupational health support – Occupational Health provision reviewed	Kate Hill; Nikki Morris	HR Advisers work closely with Line Managers to manage the sickness absence of employees. Occupational Health advice is sought to assist where applicable. Sickness Absence data reports are sent to managers on a monthly basis and HR Advisers attend quarterly meetings with Directors to look in further detail.	17-Jan-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Failure to Support and Safeguard Vulnerable people			Decreasing	• Life may be in danger, risk of major injury, further abuse or severe physical and mental health impacts • Reputational damage to the Council	Corporate Vulnerability and Safeguarding Working Groups meets quarterly to discuss legislative changes to Safeguarding practice ; Mandatory training provided to all employees on Safeguarding ; Tri-X Safeguarding Policy available to employees ; Safeguarding information available on the intranet for all employees. ; Named safeguarding lead contacts available within the Council ; Formal mechanisms in place to record and monitor referrals to manage reported cases and support and safeguard vulnerable people. ; Terms of reference in place for the Working	Nicky Moss	The controls remain the same. There is an action plan in place for Corporate Safeguarding which will mitigate the risks.	09-Nov-2021

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
					Group - wide membership across the Council ; Corporate Leadership Team (CLT) is kept informed through a twice yearly annual tracker ; Corporate Safeguarding Lead for the Council is a member of the Nottinghamshire Safeguarding Partnership ; Action Plan in place which covers all aspects of safeguarding ; Safeguarding Audits undertaken - last Audit 2019			
Workforce planning - ability to recruit and/or retain filled position to critical posts			Constant	Inability to provide critical service functions including statutory services whilst vacant Negative impact on delivery of critical functions that directly affect	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	Vacancies, recruitment and retention to critical posts including use of Market Supplements Policy continues to be monitored aligned to the national shortage of suitable candidates and pressures on all local authorities to	15-Mar-2022

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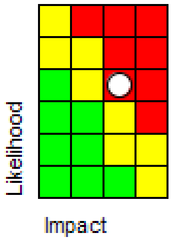
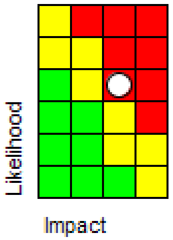
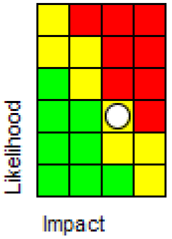
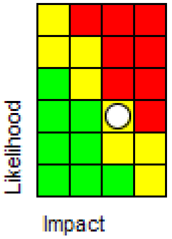
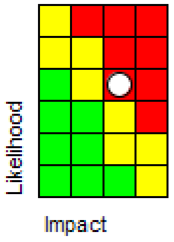
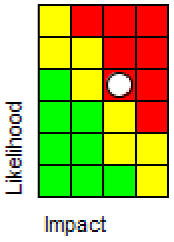
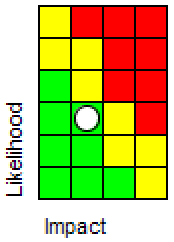
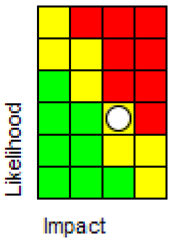
Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
				Corporate Plan priorities,, productivity, MTFS			recruit and retain Work continues with LGA to support managers in exploring and implementing workforce planning strategies involving succession planning, apprentices, graduates, 'grow your own' temporary and long term use of external capacity and expertise. Project initiated to review current approaches to recruitment and selection to enhance Council as an Employer of Choice recognising the changing needs and work/life balance of people through the pandemic. Due to national labour shortages and pressures affecting all markets at all levels, East Midlands Councils have reintroduced	

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
							the Pay and Rewards working group to support Council's in underpinning their workforce plans. Additionally the Council has commissioned an external sense check of its pay and rewards structure against current/projected market changes and also equality proofing.	
Potential impact upon resource levels and capacity due to COVID 19			Constant	Ability to maintain service delivery both Essential Services and others Reduction in sufficient skills Reduced ability to Reduced ability to recruit	Maintain/update priority list of essential services	Karen Barke	Following a recent decrease, currently employee positive cases are increasing again reflecting community transmission rates though still within manageable levels. Therefore we need to remain cautious at this time as restrictions and changes to self-isolation and testing are implemented nationally.	16-Mar-2022

Title	Current Risk Matrix	Previous Matrix Q2/Q3	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Ability to maintain service delivery due to absence levels related to COVID 19			Constant			Karen Barke	The risk has remained the same although the impact of the Omicron variant and subsequent R rate is reducing in the area with changes to plan B expected on 26th January and changes to isolation rules may impact on this. Omicron is more infectious and whilst numbers are reducing with increased testing and the non requirement of a PCR test unless one of the three main symptoms are present there is a likelihood that this could increase numbers isolating. However with increased number of employees vaccinated this would hopefully be reflected in case numbers and/or severity of the illness and time isolating	18-Jan-2022

Strategic

Title	Current Risk Matrix	Historical Matrix	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
Temporary Accommodation – sufficient units to meet demand			Constant	• Finance – higher bed and breakfast costs • Statute – failure to meet statutory duty	Filter in more properties as become available through tenancy voids. ; Find additional resource to manage properties	Phil Warrington	TA risks being managed. High occupancy levels and few vacancies means risks remain high especially in view of the high number of evictions from private rented housing now that covid related restrictions on evicting tenants have ended.	16-Mar-2022
Effective Strategic Leadership of a Robust Coronavirus recovery plan			Reduced to low	Failure to have effective recovery plans in place Failure to maximise partnerships and work with third sector to mitigate against Covid impact Failure to review and prioritise key actions and activities to support recovery Ineffective allocation of	CLT to act as ADC Recovery Plan drivers ; Weekly recovery update to CLT and Leadership meeting ; Ensuring suitable representation and input in LRF-Recovery Planning and Groups	Craig Bonar	Covid Recovery key actions are being integrated into the refresh of the 5 year Strategic Direction, annual Corporate Plan review and service plans. A LGA review of the Council's Covid Recovery planning takes place in March 2022 which will assist with sense checking the Council's approach Senior officers continue to be members of the LRF	15-Mar-2022

Title	Current Risk Matrix	Historical Matrix	Trend	Consequences	Mitigating Actions	Officer Responsible	Comments	Latest Assessment
				capacity and resources Failure to embed new ways of working and delivery models			Covid response and recovery mechanisms.	

Corporate Risk Management Strategy & Process

Version	Date	Status (draft, approved, signed off	Author	Change Description
V1.0	02/12/21	draft	C Clarke	Annual review of strategy
V2.0	24/01/22	Revised draft	C Clarke	Audit comments taken into consideration and applied

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

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 may 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 organisation is prepared to pursue, retain or take". This is reviewed annually alongside this framework. The current risk appetite framework outlines the Council’s approach to risk appetite as well as how to determine and evaluate risk appetite.

As a Council we have identified our strategic risks and have a process in place to control and monitor them. We regularly review them (at least quarterly) 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 organisation is prepared to pursue, retain or take".

The Corporate Risk register is reviewed quarterly-taking into consideration the risk appetite as stated in our risk appetite framework.

The appropriate level will depend on circumstances and must be appropriate given our corporate objectives. Risk rating analysis is the identification and evaluation of all risks to achieving objectives. The task of risk management is to limit the organisation's exposure to an acceptable level of risk in relation to the expected gain by taking action to reduce the probability of the risk occurring and its likely impact. Service Directors are responsible for ensuring that all risks are contained within the limits of the risk appetite framework and those that fall above the acceptable limit are referred to the corporate risk register. 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

A detailed framework has been written in relation to risk appetite and this should be read in conjunction with this strategy in order to understand what risk levels are acceptable to the Council.

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**

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 Process

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.

Risk management is all about understanding, assessing and managing the Council's threats and opportunities. The Council accepts the need to take proportionate risk to achieve its strategic obligations, but expects these to be appropriately identified, assessed and managed.

Risk Identification includes identification of events which might create, prevent, accelerate or delay achievement of the organisation's strategic *objectives.
The Risks can then be categorised under strategic and operational. Strategic risks are those risks identified as potentially damaging to the achievement of the Council's objectives. These can be sub-classified into:

• Political • Social
• Legislative • Competitive
• Economic • Technological
• Environmental • Customer/citizen

Operational risks are those risks that should be managed by departmental officers who will be responsible for operating and maintaining the services. These can be sub-classified into:
• Professional • Legal
• Contractual • Environmental
• Financial • Physical
• Information

Step 2 Analysing the risks

The risks are analysed and reported in a corporate standard format. (See Appendix 3). All risks assessed in a 6x4 risk matrix should be dealt with according the table below.

Probability Score	**Impact Score**			
	1 Negligible	**2 Minor**	**3 Major**	**4 Critical**
6 (Very High)	Monitor Quarterly	Monitor Quarterly	Monitor Quarterly to CLT	Monitor Quarterly to CLT*
5 (High)	Monitor Quarterly	Monitor Quarterly	Monitor Quarterly to CLT	Monitor Quarterly to CLT
4 (Significant)	Monitor Quarterly	Monitor Quarterly	Monitor Quarterly	Monitor Quarterly to CLT
3 (Low)	Monitor Quarterly	Monitor Quarterly	Monitor Quarterly	Monitor Quarterly
2 (Very Low)	Monitor 6 Monthly	Monitor 6 Monthly	Monitor Quarterly	Monitor Quarterly
1 (Almost Impossible)	No action required	Monitor 6 Monthly	Monitor 6 Monthly	Business Continuity Plan

*it may be that these need to be monitored more regularly than every 3 months depending on the seriousness of the risk. CLT will decide if that is the case.

Aligned with the Risk Appetite Framework which describes the type of action required in accordance with our risk appetite

Risk rating Score	**Risk rating action required**
18-24	Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk (this may include ending the activity and then managing the risk down to an acceptable level). Corporate Risks, monitored by CLT
15-16	These risks are within the upper limit of risk appetite. While these risks can be tolerated, controls should be identified to bring the risk down to a more manageable level where possible. Corporate Risks, monitored by CLT
5-12	These risks sit on the borders of the Council's risk appetite and so while they don't pose an immediate threat, they are still risks that should remain under review. If the impact or likelihood increases then risk owners should seek to manage the increase. Corporate Risk only if deemed threat to delivery of Corporate Objectives

3-4	These are low level risks that could impede or hinder achievement of objectives. Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.
1-2	Minor level risks with little consequence but not to be overlooked completely. They are enough of a risk to have been assessed through the process, but unlikely to prevent the achievement of objectives.
Impact 4, Likelihood 1	Rare events that have a catastrophic impact form part of the Council's Business Continuity Planning response.

Service Directors should regularly review high level risks within their directorate and aim to reduce the level of risk (impact and likelihood) and where the action taken cannot reduce the risk level they should then consider whether it has a major impact on the Council being able to achieve its strategic obligations and elevate to the Corporate Risk register.

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. The table immediately above sets the priorities.

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 three 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.

The Chief Executive has overall responsibility for ensuring that strategic risks are effectively managed within the Council and to provide an annual statement of assurance on strategic risks.

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 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 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 Committee and CLT accountable for the effective management of risk
- Monitoring the Council's risk management and internal control arrangements via quarterly reports to Cabinet.
- Approving the public disclosure of the annual outcome of this assessment (the assurance statement), and publishing it in the annual Statement of Accounts.

The **Portfolio Holder for Customer Services and IT** 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 Committee**:

- To have an overview of risk management in the Council through reporting and advice provided by the Assistant Director - Corporate Services and Transformation
- To carry out an quarterly review of the risk management framework, including the risk appetite, and to recommend it to Cabinet for approval
- To carry out an quarterly 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 quarterly 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 Assistant Director – Corporate Services and Transformation.

Responsibilities include:

- compiling, and reporting 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. The report will be shared with Leadership after CLT has reviewed the register on a quarterly basis.
- Production of an quarterly report to Cabinet on the progress of strategic risk management, the risks, and action in managing them,
- Production of a quarterly report to Audit Committee
- supporting and advising CLT on strategic risk management issues
- communicating the benefits of effective strategic risk management to all members of Ashfield District Council
- ensuring the alignment of risk within strategic planning and performance and improvement processes
- ensuring all levels of risk are discussed and reviewed at Performance Boards, including the identification of new risks.

It is the responsibility of **Service Managers:**

- To have responsibility of risk within their service areas
- 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.

Other key staff include

- Service Manager - Risk & Emergency Planning (covers H&S and Business Continuity)
- ICT Technical & Security Manager (Covers ICT and data security)
- Principal Accountant, Financial Management (Covers all insurance related risk)

It is the responsibility of **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 doings 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 are required to do this quarterly.

The responsibility for monitoring and reviewing the service risk is the responsibility of Service Managers who are required to do this as a minimum quarterly. This should be done by updating the risks that have been recorded in Pentana.

Service Directors are responsible for escalating risks, those above the risk tolerance line as set out in the risk appetite framework to the Corporate Leadership Team who will determine if they should be included on the Corporate Risk Register. Where action taken cannot reduce the risk level then they should then consider whether it has a major impact on the Council being able to achieve its strategic obligations and elevate to the Corporate Risk register This should be done through the Risk Management Sponsor – Assistant Director – Corporate Services and Transformation.

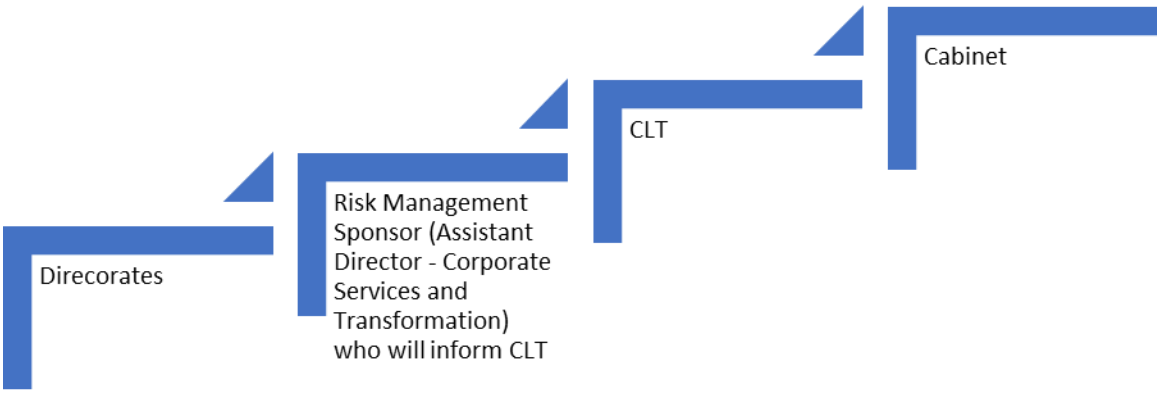
The definition of a corporate risk is - any key risk facing the Council or a particular service in the delivery of its plans, that is, a threat that an event or action will adversely affect the Council's ability to achieve its corporate objectives, perform its duties or meet expectations of its stakeholders.

The Risk Management Sponsor – Assistant Director – Corporate Services and Transformation will report progress on the risk management performance, 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.

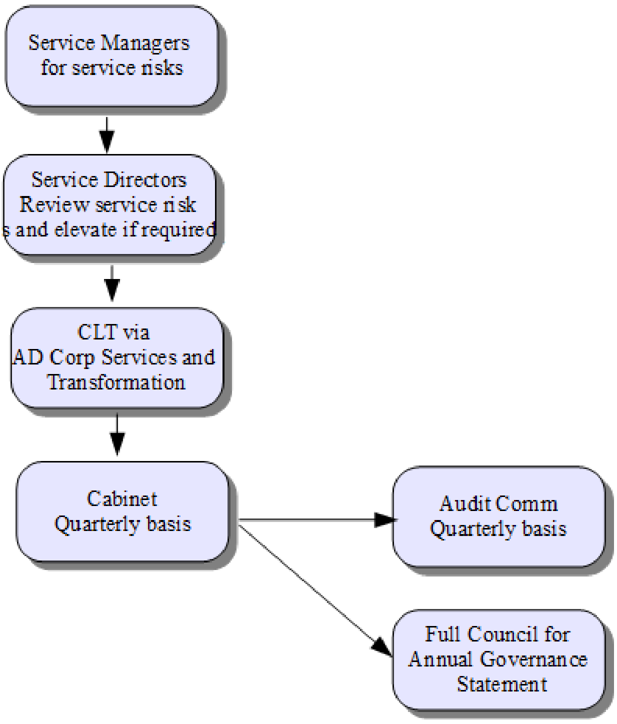
The action plans developed to manage the Strategic risks will be aligned to the Performance Management Framework and will be monitored by the Risk Management Sponsor – Assistant Director – Corporate Services and Transformation through the Performance Management System Pentana. This will ensure the integration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

Project risks should be documented and approved by the relevant project sponsors and reviewed at intervals set out in the project initiation document.

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.



The below illustration shows the governance structure in relation to risk responsibilities.



Risk types

The Orange Book published by HM Treasury provides guidance on risk types and the below are examples of types of risks and further detailed information is contained in Appendix 1.

- Strategy risks
- Governance risks
- Operations risks
- Legal risks
- Property risks
- Financial risks
- Commercial risks
- People risks
- Technology risks
- Information risks
- Security risks
- Project/Programme risks
- Reputational risks

Corporate Risk Register

Where a risk has been elevated to be included on the Corporate Risk Register it remains the decision of the Corporate Leadership Team who will decide when and if it can be removed. It should only be removed if it no longer threatens the objectives of the Council and is no longer a threat. The decision to remove a risk should be documented in the minutes of the CLT meeting. This should also be documented in the notes field for that risk within the register that is recorded in pentana.

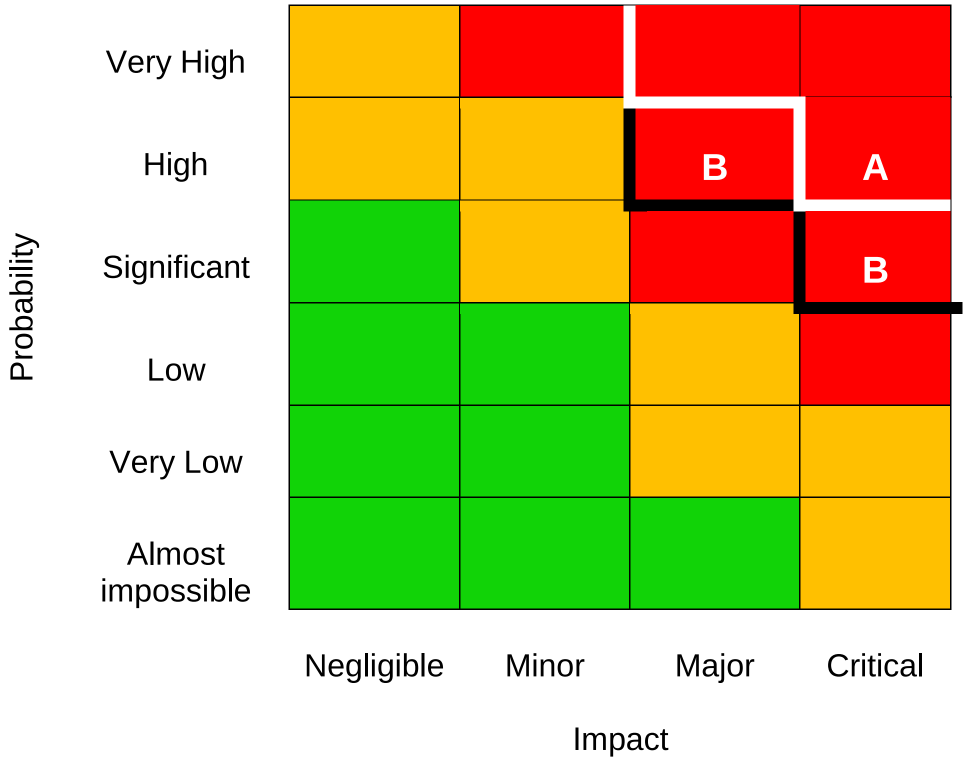
Conclusion

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

Source : ALARM Risk Management toolkit



At a summary level, we have established the broad levels of residual risk which may be accepted or tolerated for overall general application, monitoring and control. Those in ‘’A’’ and ‘’B’’ are unacceptable and must be referred to the Corporate Risk Register.

Stage 1 - risk Identification

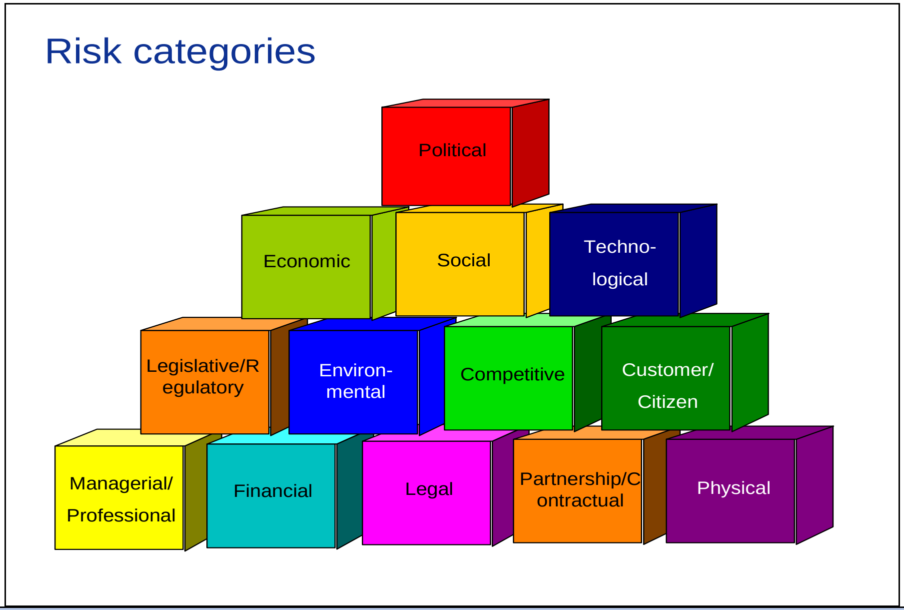
Corporate Risk will be managed and monitored by CLT quarterly in partnership with the Assistant Director – Corporate Services and Transformation. However it will be for each Directorate to decide upon the appropriate approach to identifying its key risks as this process is cascaded down throughout Ashfield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

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

Strategy risks
Governance risks
Operations risks
Legal risks
Property risks
Financial risks
Commercial risks
People risks
Technology risks
Information risks
Security risks
Project/Programme risks
Reputational risks

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)



Risk Type	Description
Strategy risks	Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).
Governance risks	Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
Operations risks	Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
Legal risks	Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take

	appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).
Property risks	Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.
Financial risks	Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting
Commercial risks	Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.
People risks	Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, Page 16 industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance
Technology risks	Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.
Information risks	Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.
Security risks	Risks arising from a failure to prevent unauthorised and/or inappropriate access to key government systems and assets, including people, platforms, information and resources. This encompasses the subset of cyber security
Project/Programme risks	Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.
Reputational risks	Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

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 Almost Impossible/ Never	**2 Very Low/ Hardly Ever**	**3 Low/ Possible**	**4 Significant/ Probable**	**5 High/ Almost certain**	**6 Very High/ 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**	**Significant media interest seriously affecting public opinion**	**Loss of life; Major causalities**

		intervention		
	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. The ALARM model suggests that ‘’ Risk assessment scales should be developed based on the parameters of the project/programme, for example, the likelihood scale should be aligned to the duration of the project/programme’’. Therefore the likelihood scale should reflect the timeframe of the activity/project or programme.

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	**Very High P6**				
	High P5				
	Significant P4				
	Low P3				
	Very Low P2				
	Almost Impossible 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 however the response should always be the one that is best suited. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors as well as detailing the risk and control owners.

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, updated and reported quarterly in the report to CLT, and to Cabinet and Audit Committee.

The operational risk register holds service specific, project and partnership risks and is also updated quarterly or 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.

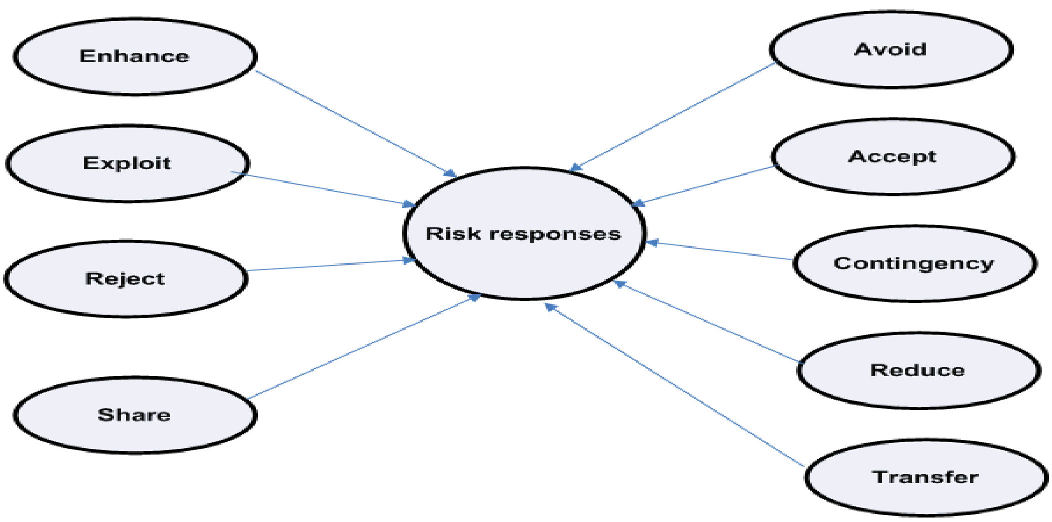
Stage 6 – Response

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 Review dates

Risk type	**Minimum review due**	**Action taken**
Corporate	No less than 3 months	Controls to be evaluated and treatment to lower risk.
Service	No less than 3 months	Controls to be evaluated and treatment to lower risk. Service Director to decide if risk to be elevated to corporate risk register.
Project	As per PID (Project Initiation document)	Controls to be evaluated and treatment to lower risk. Service

		Director on the advice from the Project Sponsor to decide if risk to be elevated to corporate risk register.
Health and Safety	No less than 2 years	Service health and safety risk *assessments* should be reviewed and updated at least every two years although significant changes to work process or accidents/incidents would mean they are reviewed at the time of change or incident occurrence / investigation
Business Continuity	No less than annually	Business Continuity Policy stipulates annual review (as a minimum) for service level business continuity plans and critical function plans
Insurance	No less than 3 months	Controls to be evaluated and treatment to lower risk. Service Director to decide if risk to be elevated to corporate risk register.
Legal	No less than 3 months	Controls to be evaluated and treatment to lower risk. Service Director Legal & Governance to decide if risk to be elevated to corporate risk register.
ICT Security	No less than 3 months	Assessed and monitored at service level and elevated to Service Director when exceeding risk tolerance levels, the Service Director may elevate to the Corporate Leadership team.



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 3rd 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 –

2019/2020 Risk Register & Action Plan

Last updated by	C Clarke	09/11/2020
Approved by		
Document Owner		

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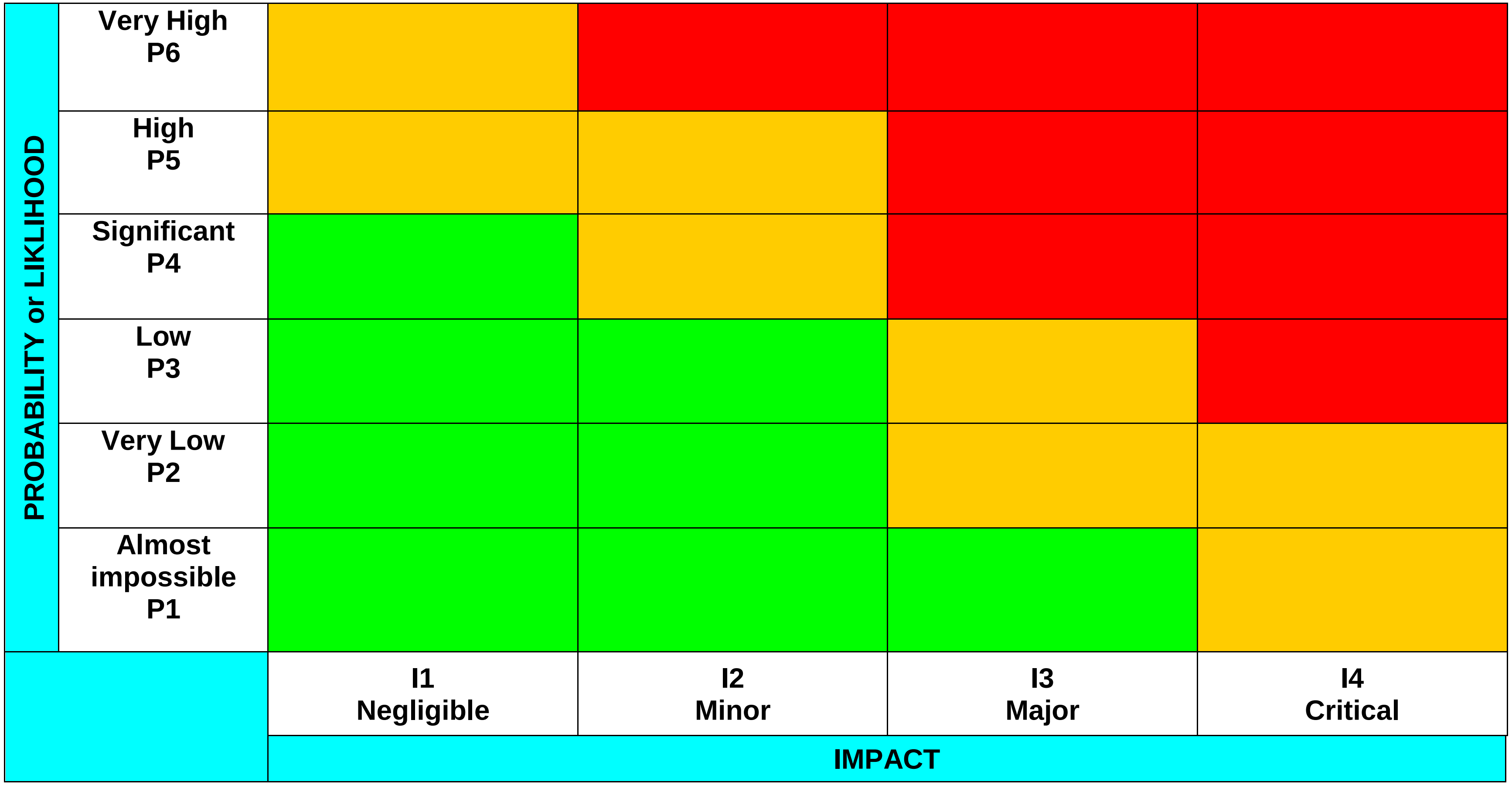
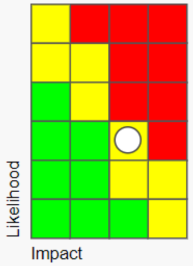
Risk Matrix


PROBABILITY or LIKLIHOOD
Very High P6
High P5
Significant P4
Low P3
Very Low P2
Almost impossible P1
I1 Negligible
I2 Minor
I3 Major
I4 Critical
IMPACT

(ADC) CR032b-c Level of central government funding 2020 onwards

Current | Compare | Description



Impact 3 Critical
Likelihood 3 Low
Score 9

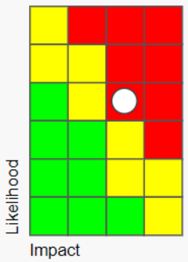
Assessment 3x3 Critical - Low
Date Assessed 27 Oct 2020

Next Assessment due 01 Jan 2021

Update

(ADC) CR072 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

Current | Compare | Description



Impact 3 Critical
Likelihood 4 Significant
Score 12

Assessment 3x4 Critical - Significant
Date Assessed 21 Sep 2020

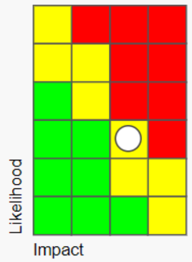
Next Assessment due 01 Jan 2021

Update

Page 84

(ADC) CR083 Failure to Support and Safeguard Vulnerable people

Current | Compare | Description



Impact 3 Critical
Likelihood 3 Low
Score 9

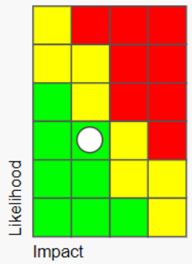
Assessment 3x3 Critical - Low
Date Assessed 21 Sep 2020

Next Assessment due 01 Jan 2021

Update

(ADC) CR032b-a Business Rates appeals are higher than forecast

Current | Compare | Description



Impact 2 Marginal
Likelihood 3 Low
Score 6

Assessment 2x3 Marginal - Low
Date Assessed 27 Aug 2020

Next Assessment due 01 Jan 2021

Update

Risk Review Timetable

	Jan 22	Feb 22	March 22	April 22	May 22	June 22	July 22	August 22	Sep 22	Oct 22	Nov 22	Dec 22
Cabinet		X				X			X			X
Audit Cttee	X		X			X			X			X
CLT	X				X			X			X	
DMT		X		X		X		X		X		X
Service areas	X		X		X		X		X		X	

Previous Cabinet reports are held locally on the s drive as well as published on Modern.gov as part of the agenda for the meeting.

Risk Management reporting: This is held in Pentana and is updated in real time and available on request from the Corporate Performance Lead.

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Auditor’s comments – Overview of changes to policy

Reference		Change made
(Previous Policy)	**Updated Policy**	
Approval on cover page	Approval on cover page	Needs to be signed to show approval (rec 1)
1.4	1.4	Use of the term ‘’we’’ clarification in terms of ‘’we’’ now refers to ‘’as a Council’’ (rec 3)
1.8	1.8	The wording inferred that the risk appetite strategy is reviewed quarterly, and this has been corrected to show that it is just the risk register that is reviewed quarterly. (rec 3)
1.8	1.8	Additional wording to expand on risk appetite and levels (rec 3)
1.8.1	1.8.1	The auditor felt that the wording seemed to be ‘’a mix of hazard and opportunity risk that can lead to some confusion’’ This has now been rewritten expanding on the meaning in order to remove any confusion. (rec 3)
1.8.1	1.8.1	Removal of risk tolerance level as that is not an appetite category as stated by the auditor. (rec.3)
2.1	2.1	The risk management cycle was missing a step, when reviewing this, the ALARM model process is included later in the document therefore to include another diagram which shows exactly the same could be interpreted as repetition therefore it has been removed. (rec 3)
2.1	2.1	Clarification on ‘’how to’’ identify the risks has been rewritten and includes the type of risks as this reads better and provides a link between identifying and types of risk. (rec 3)
None	2.2	Inclusion of overall responsibility of CEO (rec 2)
Page 8	Page 8	The risk rating scoring matrix was commented on by the auditor in relation to the highest rating score ‘’ risk appetite sets this as hungry. the strategy sets this level as outside tolerance and to be pursued?’’ Whilst the point was noted and upon consideration it was considered that additional wording would be added to comprehensively explain the Council’s approach to managing risks in the highest tier. (rec 3)
Page 8	Page 9	Paragraph immediately below the table – additional context provided in wording in relation to the Service Director’s responsibility in risk reviews and dealing of risks that are high. (rec 4)
2.2	2.2	Audit & Governance Committee now changed to read ‘’ Audit Committee and/or Cabinet’’ (rec 4)

None	2.2 (page 12)	Other key roles (rec.6)
None	Page 10	Portfolio Holders responsibility added. (rec .4)
2.3	2.3	Reference to biannually replaced with quarterly (rec 11)
2.3	2.3	Additional wording in relation to Service Director role (rec 4)
2.3	2.3	Additional wording to the definition of corporate risk to address the auditor's concern in relation to the criteria. (rec 10)
2.3	2.3	Reference to action plans – added reference as to the position responsible for monitoring (Assistant Director – Corporate Services and Transformation) (rec 4)
2.3	2.3	Step diagram – wording added to reflect role of Assistant Director – Corporate Services and Transformation (rec 4)
Page 10	Page 10	Role of Audit Committee – added '' advice provided by the Assistant Director - Corporate Services and Transformation (rec 5 & 7)
Page 11	Page 11	Service Managers responsibility added (rec 4)
None	Page 14	Governance structure added as per advice of auditor (rec 5)
Page 13	Page 14	Risk types rewritten and includes reference to The Orange Book published by HM Treasury (rec 9)
Appendix 1	Appendix 1	Old table removed and replaced with ALARM model (rec 3)
Page 16	Page 17	Risk appetite matrix replaced with matrix that aligns to the risk appetite policy (rec 3)
Page 17	Page 18	Risk categories reviewed and now in line with The Orange Book published by HM Treasury (rec 9)
Page 22	Page 23	Prioritisation – ALARM model wording included to elaborate on timescales (rec 9)
Page 23	Page 24	Stage 4 Risk Management – additional wording to provide clarity (rec 3)
None	Page 24	Risk review dates rec 11)

Organisation - ADC - Risk Management

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	**Risk Rating**	**Summary of Weakness (Issue)**	**Issue Accepted**	**Suggested Action (Recommendation)**	**Action Details Inc. alternative solution (If no action please state reasons)**	**Officer Responsible (email address only)**	**Implementation Date (dd/mm/yyyy)**
1	Low Risk	The coversheet for the Risk Management and Process document contained blank sign off and distribution fields.	YES/NO	We suggest that the Risk Management Strategy and Process document coversheet is fully completed, or the sponsor and distribution fields are removed if they are surplus to requirements.	Noted and accepted	Chris.clarke@ashfield.gov.uk	28/01/22
2	Low Risk	The officer with overall responsibility for risk management was not identified.	YES/NO	We recommend that the Chief Executive is identified as the responsible officer within the Risk Management Strategy and Process document, which would bring the risk management framework in line with recognised good practice.	Identified as CEO in revised strategy document	Chris.clarke@ashfield.gov.uk	28/01/22
3	Low Risk	There were several contradictions and inconsistencies within the Risk Management Strategy and Process document.	YES/NO	We recommend that the Risk Management Strategy and Process document is reviewed and revised to ensure that it is clear in its message and intention.	Risk strategy reviewed and all suggestions considered and implemented where noted	Chris.clarke@ashfield.gov.uk	28/01/22
4	Low Risk	Accountabilities were not sufficiently defined within the Risk Management Strategy and Process document.	YES/NO	We recommend that the Risk Management Strategy and Process document, in addition to setting out responsibilities, details how assurance will be obtained to ensure responsibilities are being met. E.g. Regular meetings (to stay aligned) Process write-ups (to gauge what is working and what is not) Project plans (to outline future goals).	Accountabilities reviewed and additional wording added to the strategy. The major gateways are identified e.g. Audit Committee and CLT reviews however the flexibility for Service Directors and Service Managers should remain and I don't think there should be prescribed dates in the strategy at those levels. The process write up to gauge what is working and what is not is largely up to the Risk Sponsor (AD Corporate Services and Transformation) to evaluate and manage. Project plans relating to risk in projects should be managed by PM Sponsors and PM's and in line with the PM Framework.	Chris.clarke@ashfield.gov.uk	28/01/22
5	Low Risk	The Risk Management Strategy and Process document did not contain an organisational chart showing the relationships between all the boards and committees established for risk management.	YES/NO	We recommend that an organisational chart be drawn up and documented within the Risk Management Strategy and Process document depicting the relationships between the Council and all the committees and boards established for risk management.	An organisational chart is now included	Chris.clarke@ashfield.gov.uk	28/01/22
6	Low Risk	Key staff with specific and specialist risk management responsibilities were not identified within the Risk Management Strategy and Process document.	YES/NO	We suggest that staff that may have skills, knowledge and experience or specific responsibilities that could be utilised for effective risk management are identified and documented within the Risk Management Strategy and Process document to ensure that knowledge is fully utilised.	"Other key officers" have been identified and included. The overall responsibility of corporate risk and driving best practice rests with the AD Corporate Services and Transformation and other officers key to the risk management process such as Service Manager - Risk & Emergency Planning who will manage H&S as well as business continuity and will report direct as the service manager to the Director Legal and Governance, a similar arrangement exists with the reporting of insurance related risks by the Principal Accountant, Financial Management to the Corporate Finance Manager. In both examples any risk that is considered outside of the risk appetite tolerance and cannot be managed and poses a risk to the delivery of the Council's services will be elevated to the corporate risk register. The roles are now included in the strategy however as described the process exists for these "experts" to elevate risks to a corporate level.	Chris.clarke@ashfield.gov.uk	28/01/22

Organisation - ADC - Risk Management

AUDIT RECOMMENDATIONS					MANAGEMENT RESPONSES		
Rec No.	Risk Rating	Summary of Weakness (Issue)	Issue Accepted	Suggested Action (Recommendation)	Action Details Inc. alternative solution (If no action please state reasons)	Officer Responsible (email address only)	Implementation Date (dd/mm/yyyy)
7	Low Risk	The risk management framework was not subjected to full ongoing regular review by the Audit Committee as set out within the Risk Management Strategy and Process document.	YES/NO	We recommend that the entire framework (strategy, procedure, and people) should be subject to a clearly defined and regular review by key stakeholders including the Audit Committee.	Noted	Chris.clarke@ashfield.gov.uk	28/01/22
8	Low Risk	Risk registers did not contain the most appropriate information for review, such as the key fields recording inherent and residual risk scores as suggested by good practice.	YES/NO	We recommend that the risk register template is revised in line with good practice and requirements of the Risk Management Strategy.	Noted. The design of the risk register can be managed through the Performance Management software ''Pentana'' and the design of the risk registers can be such so that uniformity exists across the Council.	Chris.clarke@ashfield.gov.uk	28/01/22
9	Low Risk	The Risk Management Strategy and Process document contained insufficient and contradictory guidance on risk identification techniques.	YES/NO	We recommend consideration be given to expanding the guidance contained within Appendix 1 of the Risk Management Strategy and Process document to include other risk identification techniques, such as brain storming, interviewing, reviewing complaint logs or claims history etc. Inconsistences in the document should be rectified.	Risk strategy revised and changes made.	Chris.clarke@ashfield.gov.uk	28/01/22
10	Moderate Risk	The corporate risk definition contained within the Risk Management Strategy and Process document was too broad to accurately differentiate between corporate risk and service level risk.	YES/NO	We recommend that the corporate risk definition is more tightly defined to minimise the number of corporate risks and allow for appropriate proportionality of response.	Corporate risk definition has been further defined to remove any ambiguity.	Chris.clarke@ashfield.gov.uk	28/01/22
11	Low Risk	It was unclear what review periods were in effect for the review of risks and if they were being met.	YES/NO	We recommend that review periods are considered and clearly documented within the Risk Management Strategy and Process document and that all risk records contain a target date field to show when it is required to be looked at next.	Review periods are pre-set in Pentana. As an example, where corporate risks exist then they are scheduled for a 3 monthly review. Where there is a service risk they are set as a minimum for every 3 months. The review date can be set by the risk owner if a more frequent review is required. It might benefit directorates if a brief session was held to explain how to manage the scheduling in Pentana. List of review dates by types included in page 24 of the revised strategy.	Chris.clarke@ashfield.gov.uk	28/01/22
12	Moderate Risk	Controls listed on the corporate risk register may not have been adequately evaluated in order to mitigate against the identified risk.	YES/NO	We recommend that controls are reviewed as often as the risk and periodically tested to ensure they can respond as intended.	The control should be reviewed by the risk owner and subject to examination by CLT in their reviews of the corporate risk register.	Chris.clarke@ashfield.gov.uk	28/01/22

Agenda Item 7

Ashfield
DISTRICT COUNCIL

Report To:	**AUDIT COMMITTEE**
Date:	**28TH MARCH 2022**
Heading:	**ACCOUNTING POLICIES FOR 2021/22 AND OTHER STATEMENT OF ACCOUNTS MATTERS**
Portfolio Holder:	**PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN**
Ward/s:	**ALL**
Key Decision:	**NO**
Subject to Call-In:	**NO**

Purpose of Report

This report requests approval by the Audit Committee of the accounting policies that the Council proposes to adopt for the current financial year in the preparation of the Statement of Accounts 2021/22.

The report also outlines the impact of changes to the Code of Practice on Local Government Accounting on the production of the 2021/22 Statement of Accounts process.

Recommendation(s)

1) Audit Committee approve the Accounting Policies detailed at Appendix A to this report.

2) Audit Committee note that any subsequent amendments or changes to these policies and the associated financial implications will be reported back to this Committee.

Reasons for Recommendation(s)

Part 3 of the Annual Accounts and Audit Regulations 2015 (the Regulations) requires the Council to produce an annual Statement of Accounts. In accordance with International Financial Reporting Standards (IFRS), the Statement of Accounts must include a statement of accounting policies.

The Regulations require a draft of the Statement of Accounts to be prepared and certified by the responsible financial officer by 31 May under normal circumstances, the Accounts and Audit (Amendment) Regulations 2021 have extended this to the 31 July for the financial year beginning

2021. In accordance with best practice for local authorities, the draft accounting policies should be reviewed by Audit Committee before the draft 2021/22 Statement of Accounts is produced.

In addition, where IFRS allows a degree of choice, Audit Committee should be aware of and confirm the choices made.

Alternative Options Considered

None as it is best practice for the Audit Committee to review the accounting policies.

Detailed Information

1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year-end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies are published within the Statement of Accounts in accordance with the Chartered Institutes of Public Finance and Accountancy (CIPFA) Code of Practice on Local Government Accounting (the Code of Practice) and incorporate the requirements of International Financial Reporting Standards (IFRS).

1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration has been given to the policies to adopt and apply and that those charged with corporate governance are fully informed prior to the commencement of the Statement of Accounts preparation.

Accounting Policies

1.3 The accounting policies are reviewed each year by officers to ensure all accounting policies previously approved are still relevant and are in accordance with the latest version of the Code of Practice and IFRS requirements. Any new requirements are added to the policies and any policies, which are no longer relevant or have no material effect to the Statement of Accounts, are removed.

1.4 The following accounting standards have been amended by the Code of Practice in 2021/22:

- IFRS 3 Business Combinations
- Interest rate benchmark reform changes to:
  - IFRS 9 Financial Instruments
  - IAS 39 Financial Instruments: Recognition and Measurement
  - IFRS 7 Financial Instruments: Disclosures
  - IFRS 4 Insurance Contracts
  - IFRS 16 Leases

1.5 The application date of the above amendments is the 1 April 2021.

1.6 The amendments make changes to the wording of existing accounting standards to add clarity to interpretation and understanding of the standards. They are not new accounting standards. They do not have any material effect and have not resulted in any changes to Ashfield District Council's accounting policies.

1.7 The proposed accounting policies for 2021/22 are included at Appendix A.

1.8 CIPFA LASAAC has issued an exceptional consultation on time limited changes to the Code of Practice on Local Government Accounting to help alleviate delays to the publication of audited financial statements. This was at the request of the Department of Levelling-up Housing and Communities.

1.9 The two possible changes considered as part of the consultation are:

- adaptation to the code to allow local authorities to pause professional valuations for operational property, plant and equipment for a period of up to two years (though the initial proposal is for the 2021/22 financial year); this approach also explores the use of an index to be used to increase or reduce that valuation
- deferring the implementation of IFRS 16 *Leases* for a further year and reversing the planned changes to the 2022/23 code to implement that standard.

1.10 The consultation closed on the 3 March 2022 and no further information has been received to date. If subsequent changes are made to the Code of Practice on Local Government Accounting and the changes result in changes to the adopted accounting policies, the changes will be reported back to the Audit Committee.

Implications

Corporate Plan:

Production of timely and accurate Statement of Accounts is a statutory requirement. Achievement of this reflects sound financial management supporting the Corporate Plan.

Legal:

The agreement of appropriate Accounting Policies is part of the process of ensuring that the Council satisfies its legal obligation to prepare a Statement of Accounts. The report also demonstrates how compliance with the Accounts and Audit Regulations is to be achieved. [RLD 17/03/2022]

Finance:

Budget Area	Implication
General Fund – Revenue Budget	There are no direct financial implications. The report outlines the policies to be adopted for production of timely and accurate accounts and demonstrates consideration of other legal and accounting issues attributable to their production.
General Fund – Capital Programme	
Housing Revenue Account – Revenue Budget	
Housing Revenue Account – Capital Programme	

Risk:

Risk	Mitigation

The accounting policies adopted are not updated and in accordance with Code of Practice on Local Government Accounting Code .	The changes to the Code of Practice on Local Government Accounting Code are reviewed annually and the impact is considered and any updates to the accounting policies are reported to Audit Committee.

Human Resources:

There are no human resource implications

Environmental/Sustainability

There are no environmental or sustainability implications

Equalities:

There are no equality implications

Background Papers

Appendix A – Statement of Accounting Policies.

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Appendix A

Statement of Accounting Policies

1. General Principles

The Statement of Accounts summarises the Council's transactions for the financial year 2021/22 and its position at the year-end 31st March 2022. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These Regulations require the accounts to be prepared in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and International Financial Reporting Standards (IFRS).

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

2. Accruals of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than one working day.

Cash Equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

4. Exceptional Items

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

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

6. Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.

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

The Council is not required to raise Council Tax to cover depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

a. Benefits payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and accumulated flexi time for current employees and are recognised as an expense for the services in the year in which the employees render service to the Council. An accrual is made for the cost of holiday entitlements etc. earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus and Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

b. Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer’s employment before the normal retirement date or an officer’s decision to accept voluntary redundancy in exchange for those benefits. These are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

c. Post Employment Benefits

Most employees of the Council contribute to the Nottinghamshire Pension Fund, the Local Government Pension Scheme administered by Nottinghamshire County Council. The scheme provides defined benefits (retirement lump sums and pensions) earned as employees work for the Council.

The Nottinghamshire Pension Fund is accounted for as a defined benefit scheme:

- The liabilities of Nottinghamshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions including mortality rates, employee turnover rates and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices using a discount rate based on an appropriate rate of return on high quality corporate bonds.

- The assets of the Fund attributable to the Council are included in the Balance Sheet at their fair value.

  a) Quoted securities – current bid price
  b) Unquoted securities – professional estimate
  c) Unitised securities – current bid price
  d) Property – market value

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

- Service Cost comprising

  a) Current Service Cost - the increase in liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Account to the services for which the employees worked

  b) Past Service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Account as part of Non-Distributed Costs

  c) Net interest on the net defined liability (asset), i.e. the net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments

d) Re-measurement comprising:

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

e) Contributions paid to Nottinghamshire Pension Fund - Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable to the fund but unpaid at the year-end.

The negative balance that arises on the Pensions reserve thereby measures the beneficial impact on the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

- **Discretionary Benefits**

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

8. Events after the Reporting Period

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events,

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

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts. For the purposes of consideration, Post Balance Sheet events can occur up to approval of the Statements by the Audit Committee.

9. Financial Instruments

a. Financial Liabilities

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

b. Financial Assets

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

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

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

Financial Assets measured at amortised costs

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Investments are classed as either long-term assets, if repayable after 12 months or longer, or current assets, if repayable within 12 months. Investments are shown in the Balance Sheet at amortised cost, using the effective interest rate that applies to the individual loans that comprise the total borrowing held by the Council. The amount shown in the Balance Sheet represents the outstanding principal due to be repaid to the Council and the interest that is credited to the Comprehensive Income and Expenditure Statement is the amount receivable in the year under the loan agreement.

c. Expected Credit Loss Model

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

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

10. Government Grants and Contributions

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

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

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

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

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

Non-specific Grants

These are general grants allocated by central government directly to local authorities as additional revenue funding. They are non-ring-fenced and are credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement. For example, New Homes Bonus funding.

11. Intangible Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

During 2021/22, no Council assets met the ‘Intangible Assets’ definition.

12. Interests in Companies and Other Entities

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

(a) Joint Crematorium Committee

The Council is a constituent member of a joint crematorium committee with neighbouring authorities of Mansfield and Newark and Sherwood District Councils. Current activities are split between all the councils based on the number of residents of each district area cremated. The balance sheet is apportioned based on the current year's cremations from each area. The Council's share of running costs and income has been included in the Comprehensive Income and Expenditure Statement and the share of assets included within the Balance Sheet using these apportionments. Due to the nature of the relationship of the Council within the committee, Group Accounts are not required for this entity. Information on the Council's share of the income and expenditure and associated assets and liabilities is shown in note 39 to the Core Financial Statements.

13. Inventories and Long Term Contracts

Inventories are included on the balance sheet at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

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

14. Investment Properties

The Council does hold properties for investment purposes.

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

15. Leases

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

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

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

a. Operating Leases

The Council as Lessee

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

The Council as Lessor

The Council does act in the capacity as lessor for the leases of land and properties it owns. Rents due under operating leases are accounted for on a straight-line basis as they become due. Land and property leased under operating leases are held as non-current assets within the Balance Sheet and valued in accordance with appropriate valuation practices.

b. Finance Leases

The Council as Lessee

Plant and Equipment held under finance leases are recognised on the Balance Sheet at the lower of the fair value of the asset at the lease inception and the present value of the minimum lease payments. The value of the asset is matched by a liability to pay the finance lessor.

The Council does not have any finance leases where it acts as lessee.

The Council as Lessor

The Council does not have any finance leases where it acts as lessor.

16. Overheads and Support Services

The cost of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

17. Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis are classed as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Property, Plant and Equipment may also include assets held under finance leases, which have been capitalised and included in the Balance Sheet at a value reflecting the fair value of the asset.

A de-minimis asset value of £10,000 has been set and expenditure on new assets of less than this amount is charged to the service revenue account as a proxy for depreciation, unless the expenditure forms part of a larger scheme.

Measurement

Assets are initially measured at cost, which comprises all expenditure that is directly attributable to bringing an asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred whilst assets are under construction.

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

Asset Category	**Basis of Valuation**
Property, Plant and Equipment	Fair value determined in the existing use of the asset
Dwellings	Fair value in the existing use value for social housing

Investment Properties	Fair value to reflect market conditions at the end the reporting period
Infrastructure, community assets and assets under construction	Depreciated historic cost once the asset become operational

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate for fair value. Where assets have a short useful life then depreciated historical cost is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are re-valued where there have been material changes in their value, but as a minimum every 5 years. The Council's housing stock is re-valued annually by applying an appropriate housing price index to a series of beacon values at the start of the financial year.

Increases in valuations are matched by a credit to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Where decreases in value are identified they are accounted for by a debit to the Revaluation Reserve to the extent that an accumulated gain has been recorded against that asset; where there is no balance or an insufficient balance on the revaluation reserve for that asset the write down of the asset value is charged against the relevant service within the Comprehensive Income and Expenditure Statement.

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

Costs of dismantling assets such as roofs, windows and heating systems in Council Dwellings are included in the costs paid to the main contractor. The main contractor is responsible for the disposal of the dismantled assets. The dismantled assets have been assessed by the valuer as only having a negligible value.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where there is an indication that there is a material impairment in the value of an asset when compared to the carrying value an impairment loss is recognised. The impairment loss is written down to the revaluation reserve to the extent that any balance for that asset is held within the revaluation reserve. Where there is no balance or an insufficient balance then the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than continued service use then it is reclassified as an asset held for sale. The asset is re-valued immediately before classification and then carried at the lower of this amount or fair value less costs of disposal. Where there is a subsequent decrease in the valuation determined on classification to Asset held for sale then a loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in the fair value of assets held for sale are only recognised to the extent that they reverse a previous loss recognised within the Comprehensive Income and Expenditure Statement. Depreciation is not charged on Assets Held for Sale.

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

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Capital Receipt Reserve within the Movement in Reserves Statement.

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment over a period of their estimated useful lives; freehold land is determined to have an infinite economic life and is not depreciated, assets under construction are not depreciated until they become operational in providing services. Depreciation is calculated using the straight-line method. Assets are depreciated over the estimated economic life of the asset, which has been assessed as being the following periods:

Council dwellings	40 years
Other HRA assets	10 - 80 years
Other Buildings	10 - 80 years
Vehicles, plant and equipment	3 - 10 years
Infrastructure	10 - 40 years
Community Assets	20 years

Revaluation gains are also depreciated. The difference between the depreciation on the current value and that, which would have been charged on the historic value, is transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

<u>Componentisation</u>

The Council allocates the costs of an individual asset to its various components to calculate depreciation charges where the value of the asset exceeds £500K and more than one individual component exceeds 20% of the asset value. The impact on depreciation charges for assets below the threshold is not considered material. The componentisation is based on the following elements of the asset:-

- Boilers, heating and plant systems
- Lifts
- Roofs
- Windows and doors

In terms of Council Dwellings, these assets are collectively valued in excess of £500K. However, when comparing the value of depreciation charged on a component basis compared to the current 40-year life straight-line methodology, the difference is not considered material. Council Dwellings are therefore not currently subject to componentisation but the policy is to be reviewed on an annual basis.

18. Heritage Assets

The Council's Heritage Assets held are Historical Monuments, Statues and Artwork. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, no depreciation is charged on Heritage Assets as they are deemed to have an indeterminate life and have a high residual value.

Historical Monuments
The Council has seven Cenotaphs that are located at various outside locations throughout the District. These monuments are reported in the Balance Sheet on an average replacement cost basis, which has been agreed following discussions with our internal valuer.

Statues and Artwork Collection
The collection includes Statues, Sculptures and Mosaics situated within the local town and village streets throughout the Council. The collection depicts the Council's mining and engineering history to ensure the knowledge, culture and understanding of our heritage is preserved for future generations. An artwork example would be The Flight of Fancy sculpture that represents the Rolls Royce Flying Bedstead thrust measuring machine that was developed to research the use of direct lift. These items are reported in the Balance Sheet on an historic cost

basis or on an insurance valuation basis and were mainly purchased from grant funding.

Non Balance Sheet Items
The Council also holds a collection of items that are not recognised on the Balance Sheet as cost information is not readily available and the Council believes that the benefits of obtaining the valuation for these items would not justify the cost. These items are believed to have a value of £10k or less. The majority of the collection is street mosaics, murals and sculptures purchased through grant funding or produced by the public art events. The Council has also received a number of donations including a Knitting machine and a Stocking machine dating back to the 18th and 19th century, both of which are believed to be forerunners to the Spinning Jenny. It is difficult to obtain a valuation on these two items as there is no comparable item that provides a market value. Most assets are located on public streets, in parks or are on display within public council buildings. A few items are stored securely in the Council's Council Offices and not currently available for public viewing however, ways of making these items more accessible are being developed.

Heritage Assets – General
Heritage Assets are reviewed by the Council for impairments such as where an item has suffered physical deterioration or breakage. Any impairment is measured and recognised within the Revaluation Reserve. The Council works closely with the Ashfield War Memorial Committee to preserve and maintain the local historical monuments. All other Heritage Assets are reviewed and maintained as required. Disposal proceeds are disclosed separately in the notes to the financial statements and accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

19. Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year; where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

b. Contingent Liabilities

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

c. Contingent Assets

A Contingent Asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

20. Reserves

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

The level of reserves and balances is reviewed annually to ensure they are appropriate. The General Fund Balance, Earmarked Reserve and Reserves arising from Capital Receipts together with Capital Grants Unapplied are deemed to be usable reserves in that they may be used to fund future expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments retirement benefits and employee benefits; these are termed unusable reserves and are not available to be used to fund future expenditure.

21. Revenue Expenditure Funded from Capital under Statute (REFCUS)

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

22. Value Added Tax

Value Added Tax (VAT) is excluded from all income and expenditure received and paid by the Council except where it is classed as irrecoverable by HM Revenue and Customs.

23. The Collection Fund

i) Council Tax

The Council includes its share of the accrued Council Tax due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the local precept for Council and parish activities is reversed through the General Fund Balance to ensure only the level of Council Tax required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other preceptors of Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

ii) Business Rates

The Council includes its share of accrued Business Rates due for the year within its Comprehensive Income and Expenditure Statement. The difference between this sum and the forecast amount due to the Council is reversed through the General Fund Balance to ensure only the level of Business Rates required to pay for Council activities is credited to the General Fund in the year. The balance is taken to the Collection Fund Adjustment Account, within the Balance Sheet.

Amounts collected on behalf of the other partners of the pool (Central Government, Nottinghamshire County Council and Nottinghamshire Fire Authority) are treated as either debtors or creditors depending upon the respective share of the Collection Fund attributable to these bodies at 31st March.

24. Fair Value Measurement

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

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

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

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

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

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

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date

- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

- Level 3 – unobservable inputs for the asset or liability.

Agenda Item 8

Ashfield
DISTRICT COUNCIL

Report To:	**AUDIT COMMITTEE**
Date:	**28TH MARCH 2022**
Heading:	**PENSION ASSUMPTIONS FOR 2021/22 STATEMENT OF ACCOUNTS**
Portfolio Holder:	**PORTFOLIO HOLDER FOR FINANCE, REVENUES AND BENEFITS – CLLR DAVID MARTIN**
Ward/s:	**ALL**
Key Decision:	**NO**
Subject to Call-In:	**NO**

Purpose of Report

The report is to allow Members to consider the proposed assumptions to be used by the Pension Fund Actuary in preparing the International Accounting Standard (IAS) 19 – Employee Benefits figures to be reported in the Council's Annual Statement of Accounts for 2021/22.

Recommendation(s)

Members are asked to consider the Actuary's briefing note attached as Appendix A and the proposed IAS 19 assumptions detailed within it, and to agree these assumptions as the basis for the calculation of the pension figures required for the 2021/22 Statement of Accounts.

Reasons for Recommendation(s)

It is best practice that the actuarial assumptions intended to be used in preparing the IAS 19 figures in the Statement of Accounts are considered prior to their application and use in the compilation of the Actuary's report. As such, this report delivers the Council's obligations as part of the closure of the 2021/22 Statement of Accounts.

Alternative Options Considered

Members could recommend that a bespoke report be used for the calculation of the Council's figures. This would incur an additional cost and require reasoning for the departure from the proposed assumptions.

Detailed Information

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

1.2 To calculate the cost of earned benefits for inclusion in the Statement of Accounts, the Nottinghamshire County Council Pension Fund Schemes Actuary, Barnett Waddingham, use certain assumptions to reflect expected future events, which may affect those costs. The assumptions used are designed to lead to the best estimate of the future cash flows that will arise under the scheme liabilities. Any assumptions that are affected by economic conditions should reflect market expectations at the Balance Sheet date.

1.3 The calculated costs and the underlying assumptions, based upon the advice of the Actuary and the administering authority, Nottinghamshire County Council will be used in preparing the Council's 2021/22 Accounts.

1.4 The calculation of Ashfield District Council's net pension liability (the difference between the assets held and projected liabilities) as at 31 March 2021 was £124.085m. This is a material component of the Council's balance sheet, and therefore its net worth. As such it is important that the Council is supportive of the assumptions being made by the Actuary in their calculations. This year's net position will be affected by the assumptions used.

1.5 The results of the overall valuation can be volatile from year to year as the fund's investments are in a range of asset types whose performance will vary from year to year while liabilities are assessed on the basis of corporate bond yields. The results to some degree reflect the relative movements in these financial instruments.

1.6 The responsibility for setting the assumptions rests with the employer and alternative assumptions can be used by the Actuary. However, the Actuary would impose additional fees for this work. The accounting requirements of IAS 19 do not require that every individual estimate is a "best estimate". Directors (or equivalent) of the organisation should be satisfied that the combined effect of the assumptions as a whole is reasonable.

1.7 The value of the Pension Fund's assets and liabilities are heavily dependent on the underpinning assumptions. The Employer is ultimately responsible for the assumptions used, and this year's proposed assumptions are listed below and detailed in the Actuary's briefing note at Appendix A.

1.8 The proposed financial assumptions for 2021/22 are:

- **Expected Return on Assets**. The Actuary anticipates that a typical Local Government Pension Fund might achieve a return of around 8% to 31 January 2022. Although this may vary depending on the individual fund's investment strategy.
- **Discount Rate**. The discount rate is applied to the employer's liabilities to calculate their future values. This discount rate applied by the Actuary is derived by reference to market yields on high quality corporate bonds and by calculating a Single Equivalent Discount Rate (SEDR). The rates used are those that match the duration of the employer's liability. This is consistent with the approach proposed by the Actuary and adopted by Ashfield District Council last year.
- **Inflation Expectations.** The increases in pensions in the Local Government Pension are based on the Consumer Prices Index (CPI). As there is limited information on CPI-linked assets the Actuary derives an implied Retail Prices Inflation (RPI) assumption and adjusts for the differences between RPI and CPI. The levels of future Retail Prices Inflation (RPI) are assessed based on the yields on fixed interest and index linked government securities over the period of the duration of the liabilities by calculating a Single Equivalent Inflation Rate

(SEIR). The Actuary has assessed the gap between RPI and CPI going forward to be a reduction of between 0.25% and 0.9% depending on the duration of the employer liabilities.

- **Salary Increases** – The Actuary has proposed to use the assumption that salary increases are in line with CPI plus 1.0% p.a. This is consistent with the standard approach proposed by the Actuary and adopted by Ashfield District Council last year.

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

Estimated effect of changes in Actuary's assumptions on employers' liability in 2021/22

Assumption	**Duration of Individual Employee Liability (Years)**			
	10	**15**	**20**	**25**
Discount Rate (SEDR)	Decrease of 3%	Decrease of 4%	Decrease of 5%	Decrease of 5%
Inflation (SEIR)	Increase of 4%	Increase of 4%	Increase of 5%	Increase of 5%
Overall Expected Impact	No change	Increase of 1%	No change	No change

1.10 The assumptions are based on the pre accounting date pension briefing note, provided by the Actuary on the 10th February 2022 and it is based on market information to 31 January 2022. The briefing note states it is very likely that market conditions as at 31 March 2022 will be different.

Supreme Court ruling in McCloud/Sargeant case

1.11 The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015.

1.12 As previously reported an estimated adjustment was made in 2018/19 to reflect the Supreme Court ruling in McCloud/Sargeant case. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised. If an allowance was already made for McCloud/Sargeant at a previous accounting date, then no explicit adjustment will be made in 2021/22.

Implications

Corporate Plan:

There is no impact to the long-term outcomes and corporate priorities.

Legal:

There are no legal implications. [RLD 17/03/2022]

Finance: [PH 15/03/22].

Budget Area	Implication
General Fund – Revenue Budget	There are no direct financial implications as a result of this report. The report sets out assumptions that the Actuary uses to calculate the pension position for the Council under IAS 19 to show the estimated net value of the Council's portion of the pension fund (assets less liabilities). This is a balance sheet figure and charges to the income and expenditure statement are reversed through statutory accounting entries.
General Fund – Capital Programme	None
Housing Revenue Account – Revenue Budget	As above
Housing Revenue Account – Capital Programme	None

Risk:

Risk	Mitigation
Employee Benefits figures reported in the Council's Annual Statement of Accounts for 2021/22 are misstated.	Assumptions are as advised by the Pension Fund Actuary. The assumptions are considered by Audit Committee.

Human Resources:

There are no human resources implications

Environmental/Sustainability:

There are no environmental or sustainability issues.

Equalities:

There are no equalities implications

Background Papers

Appendix A – Barnet Waddington Briefing Note
Appendix B - Barnet Waddington Glossary

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Accounting reporting as at

31 March 2022

Employer briefing note pre-accounting date

Barnett Waddingham LLP

10 February 2022

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beyond the expected

Contents

Executive summary

This briefing note is addressed to employers participating in the LGPS and details our standard approach to the 31 March 2022 accounting exercise. It sets out our recommended assumptions along with key changes since the previous accounting date and information about what employers need to do. This document has been prepared in advance of the accounting date based on our proposed approach, and will be updated after the accounting date to reflect updated market information at the accounting date. This document is based on market conditions up to 31 January 2022.

This briefing note assumes a previous accounting date of 31 March 2021. For employers whose previous accounting date was not 31 March 2021, this briefing note provides a summary of our recommended assumptions for 31 March 2022 only; should a summary of the key changes since an employer-specific previous accounting date be required then please let us know. Additional fees will apply.

This note complies with Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

How has the balance sheet changed over the year?

The change in the balance sheet position over the year is dependent on the following key variables. In the table below we detail the approximate impact and each of these variables is discussed in more detail in this briefing note:

Variable/assumption	Impact on balance sheet?	Comments
Asset returns	↑	Asset returns have been higher than the discount rate assumed at the previous accounting date.
Discount rate	↑	Discount rates have increased which will improve the balance sheet position.
Inflation	↓	Inflation expectations have increased which will worsen the balance sheet position.
Allowance for actual pension increases	↓	The 2022 pension increase is higher than previously assumed which will worsen the balance sheet position.
McCloud	↔	Most employers have already made an allowance for McCloud in their previous disclosures.
Overall	↑	**Overall, we expect the balance sheet position to improve slightly compared with last year for most employers.**

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Please note that these general principles are based on an average employer in an average fund with a duration of 20 years. The actual effect of the change in these variables and assumptions will depend on each employer's individual circumstances.

As a participating employer, what do I need to do?

The assumptions set out in this report are the standards that we intend to use unless instructed otherwise. We therefore recommend employers discuss this note with their auditors and agree whether the standard approach is appropriate. The salary increase assumption, for example, is often tailored by the employer to reflect their anticipated pay increase awards.

ACTION: The employer must let the fund know if they want to adopt a different approach or set of assumptions. To assist in this decision, we can provide employers with a deficit modeller which provides an indication of the impact of any changes to their accounting position.

How much will my IAS19/FRS102 report cost?

The fund will communicate fees to employers. There may be additional fees if there are particular features or events for an employer which need to be taken into account including:

- where an employer chooses their own assumptions;
- if there are additional calculations to be carried out if a surplus is revealed;
- when there are any staff transfers/movements to allow for;
- allowance for actual inflation experience;
- if additional disclosures are required;
- an employer asks to receive their report by a particular deadline; or
- if auditors ask queries following receipt of the report.

Where can I get further information?

We appreciate that some of the terminology in this report may not be familiar and therefore we would recommend also reading our Glossary and FAQs document for a more detailed explanation on some of the jargon used here.

ACTION: Please get in touch with the fund or your usual Barnett Waddingham contact if you have any queries.

Assets

Asset performance

Asset returns can be very volatile from year to year and will vary by LGPS fund.

A typical LGPS fund might have achieved a return of around 8% for the period from 31 March 2021. This is based on a fund investing 75% in equities, 5% in gilts and 20% in corporate bonds. This could vary considerably depending on each fund's investment strategy.

If the actual asset return for the Fund over the year is higher than the previous discount rate, this will lead to an actuarial gain on the assets; improving the overall position.

How are my assets valued?

To calculate the asset share for an individual employer, we roll forward the assets allocated to each employer at the latest valuation date allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the fund by and in respect of the employer and its employees.

Valuation of the employer's liabilities

To value the employer's liabilities at 31 March 2022, we roll forward the value of the liabilities calculated for the latest full funding valuation using financial assumptions compliant with IAS19 and FRS102.

The full actuarial valuation involved projecting future cashflows to be paid from the fund and placing a value on them. These cashflows include pensions currently being paid to members of the Fund as well as pensions (and lump sums) that may be payable in future to members of the fund or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated value of liabilities as at 31 March 2022 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2022 should not introduce any material distortions in the results provided that the actual experience of the employer and the fund has been broadly in line with the underlying assumptions, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

As required under the IAS19 and FRS102 accounting standards, we have used the projected unit credit method of valuation.

Financial assumptions

The key financial assumptions required for determining the defined benefit obligation for accounting are the discount rate, linked to high quality corporate bond yields, and the rate of future inflation.

We set out our standard approach to the derivation of these assumptions and possible outcomes using market conditions at 31 January 2022.

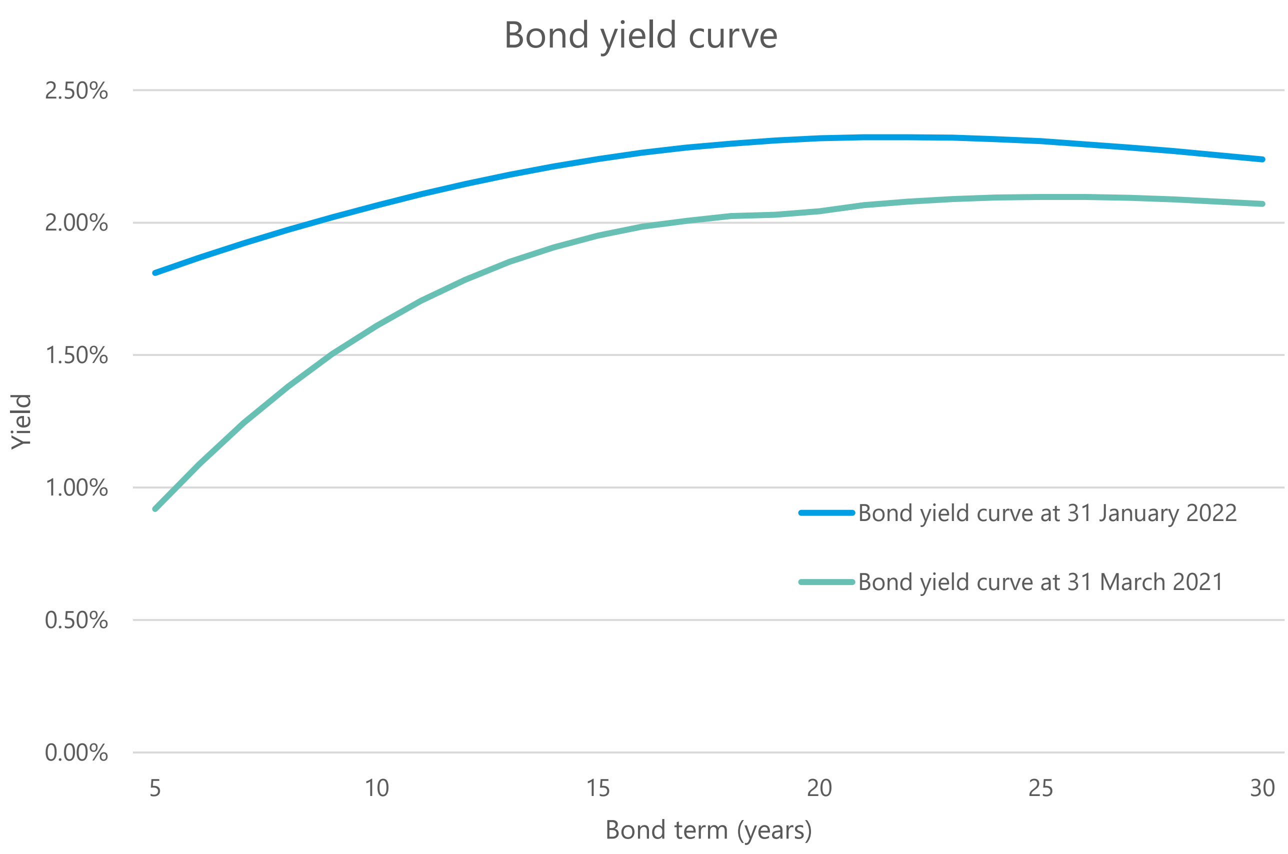
Discount rate

Under both the IAS19 and FRS102 standards the discount rate should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Our standard approach to derive the appropriate discount rate is known as the Single Equivalent Discount Rate (SEDR) methodology.

We use sample cashflows for employers at each duration year (from 2 to 30 years) and derive the single discount rate which results in the same liability value as that which would be determined using a full yield curve valuation (essentially each year's cashflows has a different discount rate). In carrying out this derivation we use the annualised Merrill Lynch AA rated corporate bond yield curve and assume the curve is flat beyond the 30 year point.

The standard assumptions set for an employer will be based on their individual duration. For example, an employer with an estimated liability duration of 13 years will adopt assumptions consistent with those derived using the 13 year cashflows.

The below graph shows the bond yield curve at the last accounting date along with the yield curve at 31 January 2022:



These curves reflect the yields that underlie the SEDR calculations and are not the estimates of the standard discount rate assumption. Sample SEDR assumptions are set out in the table overleaf.

You will see that the bond yield at 31 January 2022 is higher at all terms than at 31 March 2021. As a result, the discount rate assumed for employers will be higher than that assumed at the previous accounting date.

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All else being equal, a higher discount rate will result in a lower value being placed on the defined benefit obligation and an improvement in the overall position.

Sample SEDRs are set out in the table below based on market conditions at 31 January 2022 with the equivalent 31 March 2021 SEDRs also shown for comparison. It also sets out the estimated effect of the change in discount rate assumed based on the same sample durations:

	Discount rate		Estimated impact of change on liabilities
Duration (years)	31 January 2022	31 March 2021	
10	2.15%	1.80%	Decrease of 3%
15	2.20%	1.95%	Decrease of 4%
20	2.25%	2.00%	Decrease of 5%
25	2.25%	2.05%	Decrease of 5%

Assumptions are rounded to the nearest 0.05%.

The actual effect of the change in the discount rate assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

This approach is the same as the previous accounting date.

Inflation expectations

Whilst the change in corporate bond yields is an important factor affecting the valuation of the liabilities, so too is the assumed level of future inflation as this determines the rate at which the benefits increase.

IAS19 suggests that in assessing future levels of long-term inflation we should use assumptions that would result in a best estimate of the ultimate cost of providing benefits whilst also giving consideration to the gilt market (in line with general price levels) to give us an indication of market expectation. FRS102 simply refers to a best estimate of the financial variables used in the liability calculation.

Pension increases in the LGPS are expected to be based on the Consumer Prices Index (CPI). As there is limited market information on CPI-linked assets, to derive our CPI assumption we first make an assumption on the Retail Prices Index (RPI) then make an adjustment.

Retail Prices Index (RPI) assumption

Similar to the SEDR approach described above we intend to adopt a Single Equivalent Inflation Rate (SEIR) approach in deriving an appropriate RPI assumption.

The SEIR adopted is such that the single assumed rate of inflation results in the same liability value (when discounted using the yield curve valuation described above) as that resulting from applying the BoE implied inflation curve. The BoE implied inflation curve is assumed to be flat beyond the 40 year point.

Following a recent review of the market, and in particular noting the muted market reaction to the likely alignment of RPI with CPIH (Consumer Prices Index with Housing) from 2030, our view is that gilt-implied inflation rates are currently distorted by supply and demand factors at medium and longer terms. We have therefore allowed for an Inflation Risk Premium (IRP) of 0.4% at medium and longer terms (from 10 years). This results in an overall IRP of between 0.0% p.a. and 0.3% p.a. depending on the term of the liabilities (for terms ranging from 2 years up to 30 years).

Consistent with the SEDR approach, assumptions are rounded to the nearest 0.05% and we intend to use sample cashflows for employers at each duration year (from 2 to 30 years) in deriving the assumptions for employers.

Sample RPI assumptions are set out in the table below based on market conditions at 31 January 2022, with the equivalent 31 March 2021 SEIRs (based on our standard derivation at that time) also shown for comparison:

	RPI	
Duration (years)	31 January 2022	31 March 2021
10	3.80%	3.45%
15	3.60%	3.35%
20	3.40%	3.20%
25	3.35%	3.15%

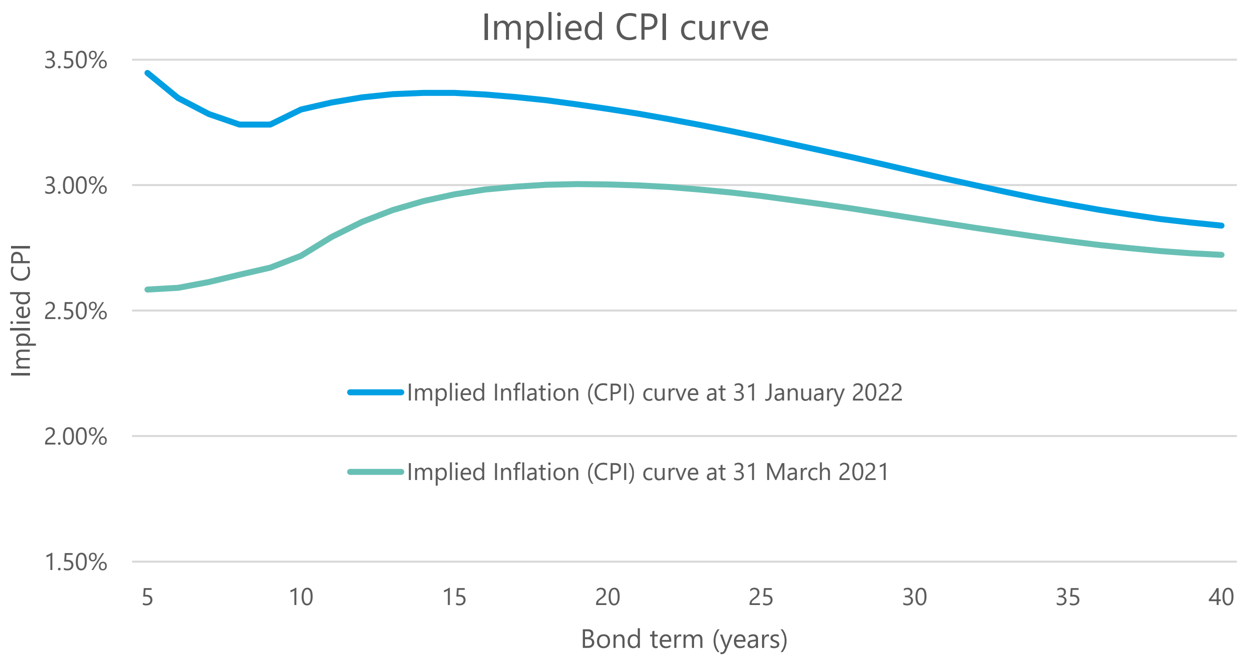
Difference between RPI and CPI

It is expected that RPI will be on average 1.0% p.a. lower than it would have otherwise been from 2030 as a result of the proposed alignment of RPI to CPIH (and CPI) from that date. We have therefore assumed that the annual increase in CPI inflation will be 1.0% p.a. lower than the market implied increases in RPI for each year prior to 2030, and will be in line with RPI inflation thereafter. This results in an assumed gap between the two inflation measures of between 0.25% p.a. and 0.90% p.a. depending on the term of the liabilities (for terms ranging from 30 years down to 5 years).

Consumer Prices Index (CPI) assumption

Using a similar approach described above to calculate the SEIR for our RPI assumption, we have calculated a single equivalent rate of CPI increase that results in the same liability value as would be calculated by applying the implied CPI curve.

The resulting implied CPI curve at 31 January 2022 is shown below along with the implied CPI curve at the last accounting date for comparison:



These curves reflect the yields that underlie the SEIR calculations and are not the estimates of the standard CPI inflation assumption. Sample SEIR assumptions are set out in the table overleaf.

As shown in the graph, the implied CPI curve at 31 January 2022 is higher at all terms. As a result, the assumed level of future pension increases will be higher than that assumed at the previous accounting date, particularly for employers with lower liability durations since this is where the greatest difference in the curves are.

All else being equal, a higher pension increase assumption will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position.

The tables below set out the assumed pension increase (CPI) assumptions at sample durations, as well as the estimated effects due to the change in the inflation assumption from last year's standard assumption to this year's:

	CPI		
Duration (years)	31 January 2022	31 March 2021	Estimated impact of change on liabilities
10	3.25%	2.85%	Increase of 4%
15	3.15%	2.85%	Increase of 4%
20	3.05%	2.80%	Increase of 5%
25	3.05%	2.85%	Increase of 5%

Assumptions are rounded to the nearest 0.05%.

The actual effect of the change in the pension increase assumption will depend on each employer's membership and the assumption to be adopted this year compared to last year.

Comparison to previous accounting date

This approach is the same as the previous accounting date.

Salary increases

Where an employer has requested a bespoke salary increase assumption last year, if still appropriate, we will continue the same salary increase assumption adopted at the last accounting date. For all other employers, we will adopt the standard approach which is in line with the latest actuarial valuation. For more information please see the latest valuation report.

ACTION: The employer must let the fund know if they want to adopt a different salary increase assumption. Please note that bespoke financial assumptions will incur additional fees.

Comparison to previous accounting date

This approach is the same as the previous accounting date.

Overall impact of changes to financial assumptions

The effect of the changes in the financial assumptions on an employer's liabilities are dependent on the assumptions adopted as well as the specific duration of the employer's liabilities. Typically, employers with greater liability durations are more sensitive to changes in financial assumptions as benefits will be paid over a longer term. The table below describes the estimated effects for employers with liability durations of exactly 10, 15, 20 and 25 years: based on assumptions derived as at 31 January 2022:

Duration (years)	Estimated effect of change in financial assumptions on employer's liabilities
10	No change
15	Increase of 1%
20	No change
25	No change

Based on market conditions at 31 January 2022, most employers will see the value of their defined benefit obligation remain broadly stable. However, the value of liabilities will increase with interest accumulated over the year.

ACTION: We are also happy to use bespoke financial assumptions. The employer must let the fund know if they want to adopt any different financial assumptions and we would suggest that these are agreed in advance with the employer's auditors.

Please note that any bespoke financial assumptions will incur additional fees.

Additional requirements

Experience items allowed for since the previous accounting date

Experience items arise due to differences between the assumptions made as part of the roll forward approach and actual experience. This includes (but is not limited to) assumptions made in respect of salary increases, pension increases, mortality, and member transfers. Any experience items accounted for will be observed in the asset and/or defined benefit obligation reconciliation tables in the appendices in the individual employer's report.

Allowance for actual pension increases

Our standard approach is to include actual pension increase experience up to the accounting date. The impact will come through as an experience item.

The 2022 pension increase is higher than previously assumed which will result in a higher value being placed on the defined benefit obligation and a worsening in the overall position. The impact may differ depending on the employer's previous assumption and if an employer has not previously allowed for actual pension increases up to 2021.

ACTION: Please note that additional fees will be incurred to incorporate the actual pension increase experience and therefore the employer should opt out of this standard approach if they do not want these additional calculations to be carried out.

Accounting modeller

Employers have an option to purchase our accounting modeller to help inform their decision on the financial and demographic assumptions used to produce their IAS19 or FRS102 pensions accounting report. For example, the modeller allows employers to change the 31 March 2022 assumptions to bespoke assumptions and see the impact this would have on the closing position as at 31 March 2022 and also on the Profit and Loss projections for the year to 31 March 2023. We would be happy to provide further information on the modeller features and the associated fees if required.

Valuation of unfunded benefits

Employers may need to include the value of unfunded benefits for their accounts. For these employers, they have the option of adopting a roll forward approach or carrying out a full valuation of their unfunded benefits. If a full valuation approach is required, we will request member data from the Fund in order to value the unfunded liabilities. If a roll forward approach is required, then an estimate of the unfunded liability will be calculated using the estimated liabilities at the previous accounting date.

ACTION: Our default approach is to carry out a roll forward of the unfunded liabilities from the last accounting date. We would be happy to provide further information and the associated fees around the full valuation of unfunded benefits if required.

Demographic assumptions

Our standard approach is to use demographic assumptions in line with the latest actuarial valuation. For more information please see the latest valuation report. For the assumptions as at 31 March 2022, we propose adopting the CMI_2020 model, further details of which are set out below.

Mortality assumption

The key demographic assumption is the mortality assumption and there are two main steps in setting this assumption:

- Making a current assumption of members' mortality (the base mortality); and
- Projecting these current mortality rates into the future, allowing for further potential improvements in mortality. Future members' mortality is almost impossible to predict and therefore there is a lot of judgement involved and we naturally have to refine our view on this over time.

Base table mortality

The base table mortality assumptions adopted for the funds' latest triennial funding valuations were best estimate assumptions and we will, therefore, be using the same assumptions, as standard for accounting.

Future improvements to mortality

To project future improvements in mortality, we use a model prepared by the Continuous Mortality Investigation Bureau (CMI). The CMI update their model on an annual basis, incorporating the latest mortality data in the national population.

At the last accounting date, unless an employer opted out, we updated the demographic assumptions to use the CMI_2020 Model.

The CMI are due to publish their updated CMI_2021 Model in March 2022. We do not propose to update our standard approach to use the CMI_2021 Model as we do not expect this to have a significant impact on the value of the liabilities for those employers who adopted our standard approach last year.

ACTION: The majority of employers updated their disclosure last year to use the CMI_2020 Model. For these employers, our standard approach is to continue with this assumption this year.

For any employers who did not update to use the CMI_2020 Model, our standard approach will be to update the mortality assumption to use CMI_2020 with a 2020 weight parameter of 25%. Please let us know if you would like to opt out of this approach.

We are also happy to use bespoke demographic assumptions. The employer must let the fund know if they want to adopt a different mortality assumption and we would suggest that these are agreed in advance with the employer's auditors.

Please note that any bespoke demographic assumptions will incur additional fees.

More information on the CMI_2020 model and our rationale for moving to this model is contained in Appendix 1.

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Other considerations

McCloud/Sargeant judgements

There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements. Remedial regulations are expected in 2022 and uncertainty over the benefit changes proposed for the LGPS will remain until these have been finalised.

Impact on liabilities

The McCloud remedy may impact the value of the liabilities in respect of accrued benefits and therefore an allowance may need to be included in an employer's report.

If an allowance was already made for McCloud at a previous accounting date in an employer's IAS19/FRS102 report then no explicit adjustment will be made in our results this year.

Please see FAQs for further details.

ACTION: If no previous allowance has been made, then our standard approach will be to include an allowance this year based on the Government Actuary's Department's analysis (further details can be found in the FAQs) and the individual assumptions and membership profile of the employer. The effect on the employer's liabilities will be shown as a past service cost. Please let the fund know if you do not want an allowance to be made.

Impact on projected service cost

Where the cost of McCloud has been allowed for in an employer's report, this includes an allowance in the Current and Projected service cost in respect of the benefits members accrue each accounting period. The McCloud remedy is expected to only apply to benefits accrued up to 31 March 2022, and therefore an adjustment is required to the Projected service cost from 1 April 2022 so that no further allowance for the McCloud remedy is made. This will then feed through to the Current service cost in employers' 31 March 2023 reports.

ACTION: If a previous allowance for McCloud has been made, then our standard approach will be to adjust the projected service cost from 1 April 2022 to ensure that no further allowance for the McCloud remedy is made. This work is required to ensure your figures correctly reflect the McCloud remedy and therefore we do not expect employers to opt out of this work.

Please contact the administering authority of the Fund to confirm the relevant fees.

Settlements and curtailments

Employers accounting under the IAS19 standard

When determining any past service cost or gain or loss on settlement IAS19 requires that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. Common events for LGPS employers that this may apply to include outsourcings and unreduced early retirements.

Additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not.

Employers accounting under the FRS102 standard

We note that the FRS102 standard is silent on the treatment of settlements and curtailments, and in particular there is no explicit requirement to adopt a similar approach to that set out above for the IAS19 standard.

ACTION: Our default approach for IAS19 reports will be to assume that all events are material and therefore will adopt the approach set out in the IAS19 amendment. We will provide each administering authority with a summary of the events we are aware of and these will be communicated to each employer. If the employer does not want to treat all the events in this way then we would strongly recommend that they engage with their auditor in advance of the preparation of their report to understand their materiality limit and establish which events fall outside of this.

Unless instructed otherwise we will proceed with our default approach and please note that additional fees will apply, details of which can be provided by the administering authority.

Our default approach for FRS102 reports is to not remeasure the net defined benefit liability at the event date, and this is consistent with the approach at the last accounting date. We are happy to adopt an approach in line with that set out above for the IAS19 reports if requested by the employer, but please note that this will incur additional charges.

Please see FAQs for further details.

Impact of COVID-19

Employers may wish to consider whether it is appropriate to make an allowance for their actual member mortality experience over the accounting year. This would require a full valuation of updated membership data and would incur additional fees. We would encourage employers to discuss with their auditors whether they believe this approach is appropriate based on the employer's specific experience.

Our standard approach is to continue with a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the fund is complete.

Any impact on service cost due to the Coronavirus Job Retention Scheme will be reflected in the report based on the payroll information we are provided with. We request information relating to unreduced early retirements each year from the administering authority and any redundancies we are made aware of as part of this are included as a curtailment where applicable.

Unless specified in the employer's report, we are not aware of any other events relating to COVID-19 that are to be allowed for in the employer's accounting results. For example, there have been no changes to funding agreements or suspension of payment of individual member transfer values.

Consideration of the mortality assumption in light of COVID-19 is set out earlier in this note.

Goodwin case

We do not intend to make any adjustments to accounting valuations as a result of the Goodwin case. Please see FAQs for further details.

Guaranteed Minimum Pension (GMP) equalisation and indexation

Impact of Lloyds judgement on past transfer values

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC on this. Whilst no guidance nor data is available, our standard approach currently is to make no allowance to reflect this judgement. Please see FAQs for further details.

GMP Indexation Consultation response

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

Our standard assumption for GMP is that the fund will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we assume that the fund will be required to pay the entire inflationary increase. Therefore, our assumption is consistent with the consultation outcome and we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome. Please see FAQs for further details.

Associated risks of participating in a defined benefit scheme

In general, participating in a defined benefit pension scheme means that an employer is exposed to a number of risks:

Risk	Comment
Investment risk.	The fund may hold investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long term, the short-term volatility can cause additional funding to be required if a deficit emerges.
Interest rate risk	The fund's liabilities are assessed using market yields on high quality corporate bonds to discount future liability cashflows. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
Inflation risk	All of the benefits under the fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
Longevity risk.	In the event that the members live longer than assumed a deficit will emerge in the fund. This may be mitigated by a longevity insurance contract if held by the fund. There are also other demographic risks.
Regulatory risk.	Regulatory uncertainties could result in benefit changes to past of future benefits which could result in additional costs.
Orphan risk	As many unrelated employers participate in each fund, there is an orphan liability risk where employers leave the fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers in that fund.

All of the risks above may also benefit an employer e.g. higher than expected investment returns or employers leaving the fund with excess assets which eventually get inherited by the remaining employers.

For further details on the funding strategy please see the relevant LGPS fund's latest Funding Strategy Statement.

Appendix 1 CMI_2020

Background

The COVID-19 pandemic has led to a sharp increase in reported deaths in the general population, with the number of deaths in 2020 being significantly higher than deaths reported in other years. There were around 73,000 more deaths in the UK from the start of the pandemic to 1 January 2021 than if mortality rates were similar to those experienced in 2019.

Our view is that the pensioner mortality experience will continue to be heavier over both the short and medium term as a result of the pandemic. The short term view is based on having already seen excess deaths continue since the start of 2021. In the medium term (2-10 years), mortality rates could be expected to be higher (than would otherwise have been the case) possibly due to future waves of coronavirus, but more significantly the effects of economic contraction and the long-term health implications of lockdowns are expected to produce heavier mortality.

CMI_2020 model

The CMI have made a material change to CMI_2020 (compared to previous versions) due to the impact of abnormal mortality data in 2020. This change introduces a "2020 weight parameter" for the mortality data in 2020 so that the exceptional mortality experienced due to the coronavirus pandemic can be incorporated without having a disproportionate impact on results. The CMI have confirmed the core value of this parameter will be 0% (i.e. no allowance for 2020 mortality data). However, the CMI encourages users to consider the parameter in detail before adopting a certain value, and not to take the core values as the CMI's "recommendation".

Changing the 2020 weight parameter has a material impact on projected mortality improvements from 2020. Placing a higher weight on data for 2020 leads to materially lower future mortality improvements as you would expect. However the impact of the 2020 weight parameter on future mortality improvements "dissipates" over time, with the effect completely disappearing by 2040.

Our view is that the overall outlook for best-estimate future mortality improvements looks more negative than implied by the core CMI_2020, with the adverse consequences of the pandemic seeming to outweigh the positive ones.

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FRS102/IAS19/IAS26 Glossary and FAQs

Barnett Waddingham LLP
26 January 2022

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FRS102/IAS19/IAS26 Glossary and FAQs

The purpose of this note is to provide LGPS funds, fund employers and their advisers with some further explanatory details about the reports we produce in accordance with Financial Reporting Standard 102 (FRS102), International Accounting Standard 19 (IAS19) and International Accounting Standard 26 (IAS26).

It is divided into a Glossary of terms followed by some Frequently asked questions (FAQs). Where certain terms are explained in more detail in the glossary these are highlighted in **bold**.

If you have any questions please get in touch with the relevant LGPS fund in the first instance.

Background

This document complements a briefing note discussing assumptions and an indication of the likely trend in results issued as part of each accounting exercise. In contrast, this document describes the fundamentals of the accounting standards and is only expected to be updated occasionally (e.g. when the standards change).

Sponsors of defined benefit pension schemes are required to account for the cost of providing retirement benefits and reserve for any outstanding liabilities associated with the schemes they sponsor. They are also required to make certain disclosures about these schemes in the notes to their accounts.

FRS102, IAS19 and IAS26 are accounting standards that set out the accounting treatment for retirement benefits. For UK listed companies and local authorities IAS19 applies; for other UK entities FRS102 applies. Companies with overseas parents may need to make disclosures under other standards. IAS26 applies for pension fund accounting.

A key feature of the standards is the requirement for liabilities to be valued using a discount rate assumption set with reference to yields on "high quality" corporate bonds.

It should be noted that the actual contribution rates required by employers for each fund are calculated every three years following a triennial actuarial valuation and these are calculated using assumptions set by the Fund Actuary. The discount rate assumption in particular is generally set with reference to expected future investment returns of the fund unlike the accounting standards which value the liabilities using solely the yields on corporate bonds. Therefore, the contribution rates paid by employers are not affected by the accounting results.

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Glossary of terms

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Glossary of terms

Included in this section:

Actuarial gains & losses

The components of the actuarial gain or loss on assets are:

- the difference between the actual investment return on the assets over the year, and the interest on assets, plus
- an experience item, if applicable.

The components of the actuarial gain or loss on liabilities are:

- the effect on the value of liabilities of any change in financial assumptions (e.g. discount rate, assumed future inflation growth) from those used in the previous year, plus
- the effect on the value of liabilities of any change in demographic assumptions (e.g. mortality) from those used in the previous year, plus
- an experience item, if applicable.

For more details on experience items, please see the "Gains and Losses" section of the FAQs.

Administration expenses

Both accounting standards require the administration expenses to be recognised when the administration services are provided and to be reported as a separate item in the Profit and Loss (P&L) statement.

Note that this does not include expenses in relation to investment management as this is incorporated in the **Return on Fund** assets.

Change in demographic assumptions

This shows the impact on the value of the liabilities of any changes in the demographic assumptions since the previous accounting date. More detail is detailed in the **Demographic assumptions** section.

The same demographic assumptions may be adopted between triennial funding valuations and so there may not be a change in demographic assumptions item each year.

The demographic assumption which is likely to have the most significant effect on the value of liabilities is the mortality assumption i.e. how long members will live. For example, when changes in mortality assumptions results in a decrease in the life expectancy of members this will result in a decrease in the value of liabilities. This is because the term that members are expected to live in retirement would be shorter so fewer benefits will be paid out.

Change in financial assumptions

This shows the impact on the value of the liabilities of any changes in the financial assumptions since the previous accounting date.

Financial assumptions reflect market conditions at the accounting date and so are likely to change each year.

The financial assumptions which have the most significant impact on the value of liabilities are the **discount rate** and the assumed rate of pension increases.

If the assumed discount rate is higher than at the previous accounting date this will result in a decrease in the value of liabilities and vice versa. Conversely, if the assumed rate of pension increases is higher than at the previous accounting date this will result in an increase in the value of liabilities and vice versa.

Contributions by employer including unfunded

This is the total value of the contributions paid by the employer to the fund including the normal contributions in respect of benefit accrual by active members, contributions towards any deficit and any early retirement strain contributions.

If **unfunded benefits** (usually pensions in payment) are paid through the fund and are to be included in the accounting report, then payments in respect of unfunded benefits are included here as well.

For more information on the inclusion of unfunded benefits, please see the "Do I need to include unfunded benefits on my balance sheet?" section of the FAQs.

Current service cost

The **current service cost** represents the cost to the employer of the benefits earned by active members during the accounting year calculated on an FRS102/IAS19 basis. This is added to the liabilities and is not the same as the employer contributions paid to meet these 'new' benefits. It is calculated using assumptions at the start of the accounting year which means that it is not a fixed percentage of payroll and it is expected to vary from year to year as assumptions change.

Under both standards this is a component of the **Service cost** in the P&L.

Curtailment

These will typically be the FRS102/IAS19 equivalent of early retirement costs. The actual strain payments to be paid by the employer to the fund are calculated by the administering authority using a different set of assumptions and so the curtailment cost under FRS102/IAS19 is unlikely to be the same as the strain contributions the employer pays.

In our calculations we calculate the cost of curtailments arising as a result of the payment of unreduced pensions on early retirement only. The employer may also have to account for non-pension related costs (e.g. lump sum payments on redundancy) but for the avoidance of doubt, we only calculate the cost of curtailments which affect the employer's LGPS pension liabilities.

We calculate the cost of curtailments at the point of exit, with interest applied to the accounting date accounted for separately.

Under both standards the curtailment cost is a component of the **Service cost** in the P&L.

Defined benefit obligation

This is also referred to as the past service liabilities. This is the value of the benefits accrued by all members to date, based on actuarial assumptions such as future increases to salaries, future mortality rates, future inflation rates etc.

Demographic assumptions

These are the assumptions used to generally provide estimates of the likelihood and timing of benefits and contributions being paid. This consists of all the non-financial assumptions used to value the liabilities including the mortality assumptions, (i.e. how long members are likely to live for), the rates of members retiring and the rate at which members exchange pension for cash at retirement.

Discount rate

Pensions and lump sums will be paid at some point in the future and so a rate known as the **discount rate** is used in order to express these expected future payments as a value at a present date.

It is analogous to a rate of interest; to illustrate this, if we put £100 into a savings account today, it is expected to grow with interest every year to become a higher amount in the future. Similarly, if we are aiming to have £100 at a future date then we only need to deposit a smaller amount now which will accumulate with interest to give £100 later.

A higher discount rate means that the future payments have a smaller value now i.e. a lower pension liability.

The accounting standards prescribe that the discount rate should be based on market yields at the reporting date of a 'high-quality corporate bond' of equivalent currency and **term** to the scheme liabilities.

The discount rate can be derived using a number of different approaches. The current Barnett Waddingham approach is to use the Single Equivalent Discount Rate (SEDR) method.

Duration

When we talk about the duration of the liabilities we mean the average time to payment of benefits. This is used interchangeably with the **term** of the liabilities.

Further details of the approach used to estimate the duration please see the "How is the employer duration calculated?" section of the FAQs.

Interest cost

At the end of the accounting period the existing pension benefits are closer to payment than they were at the start of the accounting period, and so the value of the liabilities increases over the period with interest in line with the discount rate. This is the interest cost.

The interest cost forms part of the **net interest on defined liability** (in the P&L).

Interest on assets

The interest on assets item is calculated with reference to the **discount rate**. This forms part of the **net interest on defined liability** (in the P&L).

One of the most common questions we are asked by employers is how their asset amount has been calculated.

Go to the FAQ on how are my assets calculated to find out more.

Liabilities

These are also referred to as the **defined benefit obligation**.

Net interest on defined liability

This is the **interest cost** on liabilities less the **interest on assets**. The net interest on defined liability figure is a component of the P&L.

Past service cost

Additional benefits granted during the accounting year give rise to a **past service cost**, for example, an employer decision to award additional service to a retiring employee.

Under both standards this is a component of the **service cost** in the P&L.

Remeasurements

Remeasurements are recognised in Other Comprehensive Income which is effectively the total of the **actuarial gains and losses** from the changes in the assets and liabilities over the accounting period. This will include the investment return on the assets in excess of interest, change in assumptions (financial and demographic) as well as any experience adjustments.

More detail about this is in the "Gains and Losses" section of the FAQs.

Return on assets less interest/ Return on Fund assets in excess of interest

This item is the investment return on fund assets above (or below) that which was assumed at the previous accounting date. The investment return is net of investment management expenses and is provided in the 'Assets' section of your report. Under IAS19 and FRS102 the interest/assumed return on assets is the discount rate assumed at the previous accounting date.

If the return on fund assets is lower than the discount rate this will result in an actuarial loss.

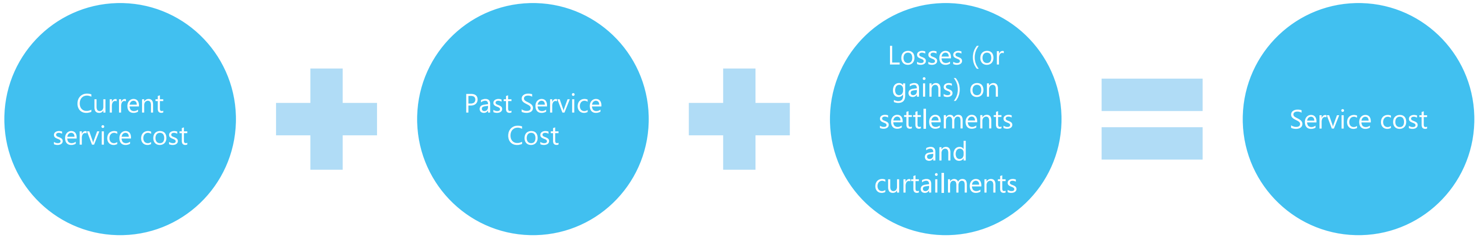
The magnitude of this item will be dependent on how much the actual return on Fund assets differs from the discount rate at the previous accounting date.

Service cost

The service cost is made of three key components:

- Current service cost; plus
- Past service cost; plus

- Losses (or gains) on settlements and curtailments.



Settlement

A settlement will generally occur where there is a bulk transfer of members in to or out of the Fund or an employer's share of the Fund. The settlement loss or gain reflects the difference between the transferred asset share, and the value of the transferred liabilities when calculated on an FRS102/IAS19 basis. This value may be different when compared to figures calculated for non-accounting purposes due to different assumptions being used.

Under both standards this is a component of the **Service cost** in the P&L.

Special event

Under the IAS19 standard, when determining any past service cost or gain or loss on **settlement** or **curtailment**, the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. However, IAS19 notes that the extra **remeasurement** at the event date does not need to be applied where the application of that remeasurement is immaterial.

Where a remeasurement approach is required, we refer to this as a special event. Where an event is included but does not require the remeasurement approach, it is not a special event.

Term

Please see definition of **duration** above.

Unfunded benefits

Unfunded benefits are pensions arising from additional service awarded on a discretionary basis e.g. Compensatory Added Years (CAY) pensions. Such benefits are usually charged to the employer as they are paid. Other unfunded benefits include gratuities and enhanced teacher's pensions which are recharged to the employer, and pensions in respect of some other public sector pension schemes.

This is in contrast to funded pensions, which are paid for out of the assets of the Fund, and which the employer has responsibility for funding by paying contributions to the Fund.

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Frequently Asked Questions (FAQs)

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Frequently asked questions (FAQs)

Included in this section:

Balance sheet

Assumptions

Pension costs

Gains and losses

Regulatory

- What is the impact of the recent GMP indexation consultation response?
- Does the McCloud judgement have any impact on LGPS liabilities?
- Does the outcome of the Goodwin case have any impact on LGPS liabilities?

Miscellaneous

- Is the projected unit method being used?
- How are investment expenses allowed for?
- What checks are carried out on the data underlying the calculations?
- How is the employer duration calculated?
- What commutation factor is used in the calculations?

If there are any questions that do not appear on this list, please get in touch with the Fund in the first instance.

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Balance sheet

How are my assets calculated?

Notional assets

Assets are not separately held for each employer; each fund holds assets in respect of all the employers in the fund and each employer has a notional share of these assets. For example, the contributions an employer makes into the fund are not paid into a separate employer account and invested independently, but are paid into the whole fund along with all other employers' contributions and invested as a whole. However, they are taken into account when calculating a notional asset figure for actuarial valuations and employer work.

Asset calculation – actuarial valuations

Assets are fully re-apportioned at each triennial funding valuation. To do this for an employer, we accumulate the employer's notional market value of assets from the previous funding valuation, allowing for the Fund's actual returns and cashflows in respect of the employer which include employer and employee contributions, pensions and retirement lump sums paid, and transfers in and out etc. In general, cashflows are assumed to occur halfway through the year. We also allow for any notional asset transfers which may occur between employers when members transfer between employers in the Fund.

We also adjust the assets by a smoothing factor to be consistent with our measurement of the liabilities. We essentially look at the asset value over each day for the six month period around the valuation date (based on published market indices) and take the average.

Asset calculation – accounting valuations

In order to calculate asset values for accounting valuations, the starting point is the most recent funding valuation and the process is then similar to the above but may involve approximations. For example, if the fund's actual returns have not yet been calculated for any period, we will calculate the notional return based on suitable market indices.

The assets will change from year to year: increasing with contributions paid into the fund and investment returns earned; and decreasing as benefits (such as lump sums and pensions) are paid out of the fund.

Thus, the employer's asset share is not a fixed percentage of the fund and is expected to vary over time.

We use market value of assets for FRS102 and IAS19 calculations therefore no smoothing factor is applied.

Auditor views

Auditors continue to look for greater accuracy in the roll forward approach used to calculate employers' results. This includes the approach used to determine each employer's share of fund assets at the accounting date.

Given the tight timescales for employers to submit their final accounts we appreciate that it is not always possible to wait until a fund's net asset statement at the accounting date is available to begin producing accounting disclosures. As a result, we may use details of funds' assets at the most recent date available and, for the remaining period, we assume that returns are in line with relevant market indices.

In order to reduce the chance of having to revise any reports we recommend that employers engage with their auditors and the administering authority of the fund as early as possible to ensure they are comfortable with the information being used to calculate results.

What is the Defined Benefit Obligation and how is this calculated?

The Defined Benefit Obligation is the accounting label for what is usually known as the value of the pension liabilities of the employer. The pension liabilities for an employer are the promised benefit payments (e.g. pensions, lump sums) due in the future from the fund to its members. The Defined Benefit Obligation is the value of these liabilities calculated using a set of assumptions on an FRS102/IAS19 basis, which includes how these payments will increase over time, how long they will be paid out for (i.e. how long each member is likely to live for) and the **discount rate** to apply to them to give a current value.

The Defined Benefit Obligation depends on the amount of the benefits so will increase as benefits are accrued and reduce as benefits are paid out. The value will also increase or decrease as the assumptions used to calculate their value change.

Do I need to include unfunded benefits on my balance sheet?

Unfunded benefits may be paid through the fund and recharged to the employer.

FRS102 and IAS19 both state that all retirement benefits should be accounted for when the member earns the benefit and not when it is paid by an employer. Therefore when a member retired and was awarded unfunded benefits the value of all future payments should have been taken into account at the point of retirement. This value would generally be expected to reduce over time as the benefits are paid out.

If you have unfunded benefits which are to be included in the accounting figures that we prepare, then you should make us aware of these.

Assumptions

What is the difference between assumptions for a funding valuation and an accounting valuation?

The purpose of a funding valuation is to set the contributions payable by employers, and these are typically based on a set of ongoing assumptions. An accounting valuation on the other hand is prepared to meet statutory disclosure requirements and is included in the employer's annual accounts. Therefore, the purposes are different. The results from the two valuation types can be significantly different due to the different assumptions used.

The assumptions adopted for a funding valuation are set by the Fund Actuary following discussion with the administering authority. Broadly, they are set with reference to the long-term expected cost of providing LGPS benefits and take into account the investment strategy of the fund and the expected return on each asset class that the fund invests in. In contrast, FRS102 and IAS19 are fairly prescriptive accounting standards which aim to allow employers' pension obligations to be compared with each other.

Generally, the demographic assumptions used for both valuations are the same and determined every three years as part of the triennial funding valuation.

The main area where funding valuations for our funds and accounting valuations differ is in the derivation of the **discount rate**. For funding valuations, the discount rate adopted is based on the expected investment return of the assets actually held by the fund. For FRS102/IAS19, the discount rate is required to be determined with reference to the market yield on 'high quality' corporate bonds and with consideration of the **duration** of the employer's liabilities.

Generally, corporate bond yields will be lower than the return assumed for a funding valuation as the fund is likely to invest in a mixture of assets include higher return seeking assets such as equities and property. Therefore we would expect that employers' costs and liabilities under FRS102/IAS19 will be higher than those calculated in a funding valuation as the discount rate used is lower.

It is important to note that the accounting position has no bearing on the contributions that the employers actually pay into the fund. Contribution rates are set every three years as part of the triennial valuation.

Why is the inflation assumption different to current inflation levels?

The current level of inflation that is widely reported each month is a measure of how prices have increased in the recent past, usually over the last year. However, in order to project cashflows to and from the fund over the future lifetime of the fund, we are interested in what inflation will do in the future and therefore we have to make an assumption about expected future levels of inflation over the long term. We do this by using information published by the Bank of England.

How much scope is there for 'tweaking' the assumptions?

One of the objectives of FRS102 and IAS19 is to ensure that organisations all account for pension costs on a consistent market-related basis so there is not intended to be a huge amount of scope to deviate away from typical market assumptions. We do provide a recommended set of assumptions but the employer is ultimately responsible for the assumptions that are adopted.

One key area in which the employer can exercise more control is the assumption about future levels of pay increases as they will have more knowledge of likely future pay awards for their staff.

If you would like more information on the options available to employers regarding bespoke assumptions please get in touch with your LGPS fund.

Pension costs

How are settlements/curtailments/past service costs treated under IAS19?

On 7 February 2018, the International Accounting Standards Board (IASB) issued amendments to the IAS19 standard which now requires that when determining any past service cost or gain or loss on settlement that the net defined benefit liability is remeasured using current assumptions and the fair value of plan assets at the time of the event. This applies for all accounting periods starting on or after 1 January 2019.

Common events for LGPS employers that this amendment may apply to include outsourcings, academy conversions and unreduced early retirements.

The **remeasurement** requirement complicates the accounting disclosure as additional calculations are required to determine the cost before and after each event, and to rebase the standard roll forward approach on updated assumptions based on each event date. The amendment does, however, note that the extra remeasurement does not need to be applied where the application of that remeasurement is immaterial. The assessment of materiality will be subject to each employer and auditor's discretion. We can provide additional information to help assess materiality but we cannot conclude whether an event is material or not. If relevant, the employer should also consider any guidance in relation to this set out by The Chartered Institute of Public Finance & Accountancy (CIPFA) in its most recent *Code of Practice on Local Authority Accounting in the United Kingdom*.

Why is the current service cost different from the contributions paid?

Contributions are required from the employer to meet the cost of the benefits being earned by current employees, and to pay off any past service deficit. Minimum contributions are certified when a new employer joins the Fund and then again at each triennial funding valuation. These certified contributions are calculated using assumptions made at each funding valuation and reflect, amongst other things, the return assumed to be earned by the assets actually held by the Fund.

The **current service cost** in FRS102/IAS19 only includes the employer cost of benefits being earned by current employees and does not include the cost of paying off any past service deficit. The assumptions used for FRS102/IAS19 are usually different to those used for the funding valuation. In particular, the **discount rate** is prescribed by FRS102/IAS19 and is unlikely to reflect the Fund's actual asset allocation. This means the current service cost calculated for FRS102/IAS19 is likely to be different to the cost covered by the certified minimum contributions.

Why is the current service cost different from the previous year?

The current service cost is the cost of benefits accrued over the period based on the assumptions at the start of the period i.e. the assumptions at the previous accounting date or the most recent **remeasurement** date.

Therefore this will be affected by:

- the difference in the assumptions adopted at the previous accounting date (and any remeasurement dates) compared to the assumptions adopted for calculating the previous accounting date's current service cost; and
- the change in payroll over the accounting period compared to that over the previous accounting period.

What if the reported contributions paid are different to the actual contributions paid?

The discrepancy may be because full cashflows for the accounting period were not available for the report, and therefore they were estimated based on part-year cashflows. We can revise the disclosure to take account of the actual contributions paid but we recommend that you agree with your auditor that this is necessary on the grounds of materiality.

Gains and losses

What is an experience gain or loss?

Accounting reports are prepared each year using a number of estimates and approximations in the roll-forward process on both the assets and the liabilities. This experience adjustment is essentially a correction of the estimates made in previous accounting reports.

Employers are likely to see an experience item in an accounting report prepared following a full membership valuation, such as a triennial funding valuation, to allow for actual experience such as pension increases, member movements and mortality.

What does actual less expected return on Fund assets mean?

The "expected" return on the Fund assets for a year is simply based on the **discount rate** assumption at the start of the period (or the last remeasurement date). If actual Fund returns, net of investment management expenses, have been higher than the discount rate assumption this figure will be positive but if they were lower this will be negative.

Why is there an experience gain or loss on the assets?

To determine the employer asset share for an accounting report we may need to estimate various pieces of financial information, including cashflow information such as contributions received, benefits paid and fund returns. However, at a triennial funding valuation we get full cashflow data for each year and actual audited Fund returns. We then determine each employer's asset share accurately at the triennial valuation date and the experience item emerges as the difference between the three years' worth of estimated rolled-forward assets and the accurate figure. There may also be differences between the accounting and funding valuation asset figures due to allowance for any transfers or outsourcings that may not have been resolved in time to be included in the relevant accounting years.

Why is there an experience gain or loss on the liabilities?

To determine the value of the employer liabilities for an accounting report we roll forward the results from the most recent funding valuation, using the financial and demographic assumptions set for accounting purposes.

After each triennial valuation we recalculate the accounting liabilities using up to date membership data and results. An experience item emerges which reflects the difference between the actual experience of the members of the Fund and what was assumed for them in the previous accounting reports. For example, if members died earlier than assumed this will result in an **actuarial gain** as the liabilities will be lower than estimated in the roll forward, or if members received higher than assumed salary increases then there will be an **actuarial loss** as the liabilities will be higher than estimated.

Experience gains or losses may also arise each year due to other experience updates. For example, employers may choose to allow for inflation experience each year. This would result in an experience gain or loss depending on how pension increase experience compared to what was assumed at previous accounting dates.

What is the change in assumptions?

This is a combination of the impact on the value of the liabilities due to any changes in the financial and demographic assumptions since the previous accounting date.

See the change in demographic assumptions and change in financial assumptions sections above for more detail.

Regulatory

What is the impact of the Lloyds judgement on past transfer values?

The latest news on the Lloyds Banking Group court case involved a ruling that, in cases where a member exercised their right to a transfer value out of the scheme, the trustee had the duty to make a transfer payment that reflects the member's right to equalised benefits and remains liable if an inadequate transfer payment had been paid.

It is not yet known if, or how, this will affect the LGPS. We await further guidance from CIPFA and DLUHC on this.

What is the impact of the recent GMP indexation consultation response?

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. Details of the consultation outcome can be found here.

For details on our standard assumption for GMP, please see the latest briefing note.

Does the McCloud/Sargeant judgement have any impact on LGPS liabilities?

The Court of Appeal judgment on the McCloud and Sargeant cases, relate to age discrimination against the age-based transitional provisions put into place when the new judicial pension arrangements were introduced in 2015. The members argued that these transitional provisions were directly discriminatory on grounds of age and indirectly discriminatory on grounds of sex and race, based on the correlation between these two factors reflected in the judicial membership. The Tribunal ruled against the Government, deeming the transitional provisions as not a proportionate means of achieving a legitimate aim.

The Government subsequently applied to the Supreme Court to appeal the judgement but their application was denied on 27 June 2019. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and a ministerial statement in response to this was published on 13 May 2021, however a full response to the consultation is still awaited. At the time of producing this briefing note the outcome of these matters is still to be agreed so the exact impact they will have on LGPS benefits is unknown.

The Scheme Advisory Board, with the consent of DLUHC (formerly MHCLG), had commissioned GAD to report on the possible impact of the McCloud case on LGPS liabilities – in particular those liabilities to be included in local authorities' accounts under IAS19 as at 31 March 2019. This followed the April 2019 CIPFA briefing note which said that local authorities should consider the materiality of the impact. GAD have now issued their report dated 10 June 2019, which is intended to help authorities assess that materiality.

The potential cost of the judgement on the liabilities is very much dependent on the membership profile of the employer and assumed future salary increases. For example, for an employer who has a high proportion of active members (and very few deferred and pensioner members), and a salary increase assumption of CPI + 1.5% p.a. the outcome of the McCloud judgement could increase the employer's liabilities by around 3% according to the GAD analysis. However, for an employer with a small proportion of active members and a salary increase assumption equal to (or less than) CPI, the impact of the McCloud judgement is likely to be negligible.

We have taken the view to include an allowance for the McCloud judgement as a default unless an employer chooses to opt out.

Does the outcome of the Goodwin case have any impact on LGPS liabilities?

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

As this has just recently been announced, we do not yet have an accurate indication of the potential impact this may have on the value of employers' liabilities or the cost of the scheme. Any indication of cost at this stage will only be a rough estimate as in most cases, funds will not have this information or data to hand. It is our understanding that the Government Actuary's Department (GAD) is undertaking a review to assess the potential impact on public sector pension schemes, which we expect will be minimal for LGPS funds.

At the time of producing this document, we do not yet have the results of GAD's review. However, it is our expectation that the impact on the value of LGPS liabilities as a whole, and for the majority of employers participating in the LGPS, will not be material. It is possible that the impact on individual employers will vary depending on their specific membership profile; although any cases resulting in a significant impact are likely to be few and far between.

Miscellaneous

Is the projected unit method being used?

Yes

How are investment expenses allowed for?

Investment expenses are included in the estimated Return on Fund assets. Therefore, the 'Return on assets less interest' element of the asset reconciliation includes allowance for investment expenses.

Investment expenses not included in 'Administration expenses' and are therefore not contained within in the Profit and Loss statement, however, as they are included in the 'Return on assets less interest', investment expenses are included in the Remeasurements in other comprehensive income.

What checks are carried out on the data underlying the liability calculations?

One of the key items of data underlying our calculations is the member data used for the starting point of the liability roll forward. The member data is generally that from the most recent funding valuation and therefore has been passed through a vigorous data checking process as part of the valuation. As the member data has been sufficiently cleansed for the purpose of the funding valuation, we believe it is also reasonable for the purpose of the accounting roll forward. The key checks carried out on the data include:

- Consistency of static member data items (such as sex and date of birth) to previous valuation
- Consistency of changeable member data items to previous valuation. For example:
  - Reasonable change in salary for active members
  - Reasonable level of accrual for active members
  - Deferred and pensioner member pensions have increased as expected based on LGPS pension increases
- Reconciliation of employer membership to ensure that all previous members accounted for (or no longer in data as expected) and new members look reasonable

How is the employer duration calculated?

The method we use to calculate the **duration** is to measure the sensitivity of the liabilities to a change in the financial assumptions. Namely to use the formula:

Duration of the liabilities = LN(PV2 / PV1) / LN((1+i1) / (1+i1+0.1%))

Where:

PV1 is the total present value of the liability on a **discount rate** of i1

PV2 is the total present value of the liability using a discount rate of i1 +0.1%

What commutation factor is used in the calculations?

A commutation factor of 12 is adopted for our calculations in line with the benefit structure set out in the LGPS Regulations.

central midlands audit partnership

Ashfield District Council – Audit Progress Report

Audit Committee: 28 March 2022

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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.

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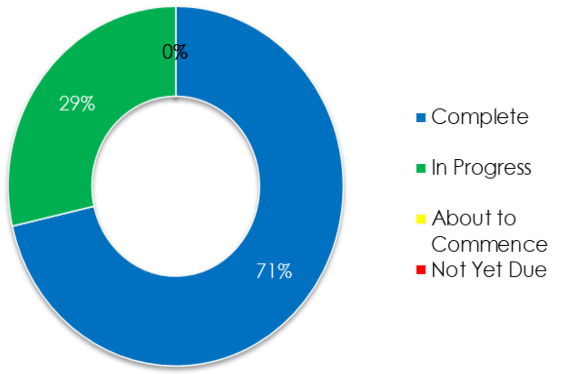
CMAP central midlands audit partnership

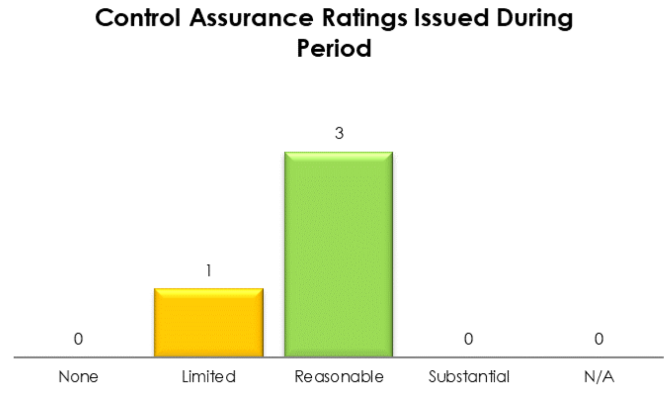
Providing Excellent Audit Services in the Public Sector

AUDIT DASHBOARD

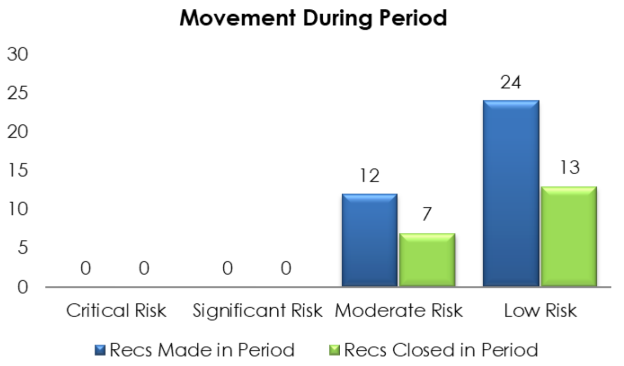
Plan Progress



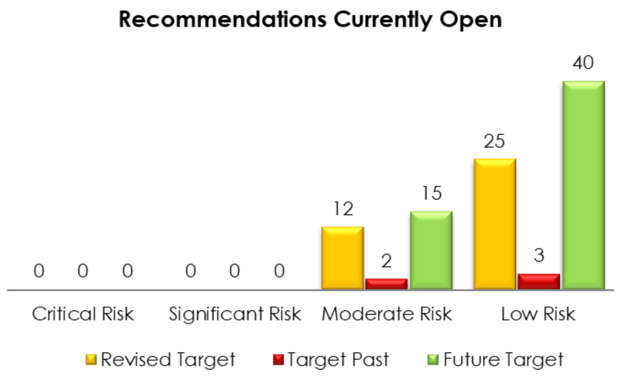
Assurance Ratings



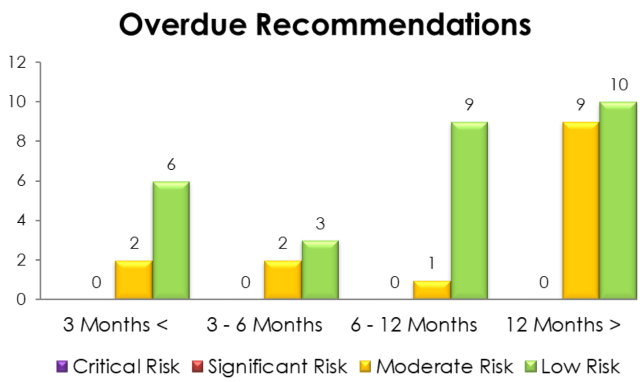
Recommendations



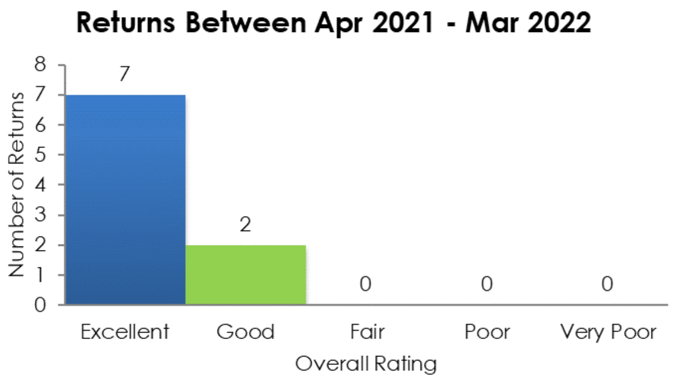
Recommendations



Recommendations



Customer Satisfaction



AUDIT PLAN

Progress on Audit Assignments

The following table provides the Committee with information on how audit assignments were progressing as of 15 March 2022.

2021-22 Jobs	Status	% Complete	Assurance Rating
Scrutiny	Draft Report	95%	
Accounting Systems	Reviewed	90%	
Creditors (including Purchase Cards)	In Progress	20%	
IT Consultancy – Office 365	In Progress	20%	
IT Key Controls 2021-22	Final Report	100%	Reasonable
PCI in Organisational Transformation	Final Report	100%	Reasonable
Risk Management	Final Report	100%	Reasonable
Debtors	Final Report	100%	Reasonable
Homes England Grant Compliance	Final Report	100%	N/A
Payroll	Final Report	100%	Reasonable
Planning	In Progress	20%	
Environmental Health	Final Report	100%	Reasonable
Outdoor Recreation	Final Report	100%	Limited
Selective Licensing	Final Report	100%	Reasonable
Housing Health & Safety Statutory Compliance	Final Report	100%	Reasonable
Anti-Fraud & Corruption	In Progress	60%	
B/Fwd Jobs	**Status**	**% Complete**	**Assurance Rating**
Teleworking Security	Final Report	100%	Reasonable
Financial Health & Resilience	Final Report	100%	Reasonable
Management of Fraud Risk	Final Report	100%	Limited
People Management	Final Report	100%	Reasonable
Delegated Decisions	Final Report	100%	Reasonable

Audit Plan Changes

None to report.

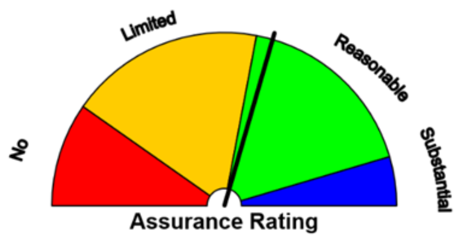
AUDIT COVERAGE

Completed Audit Assignments

Between 20 January 2022 and 15 March 2022, 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	
Housing Health & Safety Statutory Compliance	Reasonable	0	0	4	1	0%
Outdoor Recreation – Sports bookings	Limited	0	0	3	8	9%
Payroll 2021-22	Reasonable	0	0	3	5	88%
Risk Management 2021-22	Reasonable	0	0	2	10	0%
TOTALS		**0**	**0**	**12**	**24**	**22%**

Housing Health & Safety Statutory Compliance

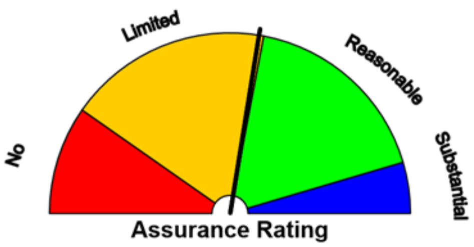


Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The requirements of the Social Housing White Paper have been noted and plans are in place to make the Council compliant with the standards.	5	3	2	0
The implications of the Fire Safety Act 2021 and the draft Building Safety Bill have been fully detailed and briefed to all relevant parties across the Council.	4	3	1	0
TOTALS	**9**	**6**	**3**	**0**

Summary of Weakness	Risk Rating	Agreed Action Date
The Council's action plan to ensure compliance with the requirements of the Social Housing White Paper did not fully align with the January 2021 Cabinet Report and there was a lack of audit trail to show the completion of actions. (partially accepted)	Moderate Risk	31/03/2022
The Social Housing White Paper action plan was not held on the Pentana Performance Management system, limiting its accessibility to relevant officers and preventing an adequate audit trail of updates and plan changes from being maintained.	Moderate Risk	28/02/2022
The Council had not yet decided who will be the senior named person with responsibility for ensuring compliance with the Health and Safety obligations set out in the Social Housing White Paper.	Moderate Risk	01/04/2022

Actions required to ensure the Council would be compliant with the Fire Safety Act and Building Safety Bill had not been documented in an action plan.	Low Risk	28/02/2022
It was unclear from the guidance available if a number of Council properties (semi-detached flats) should be subject to the Fire Safety Act 2021.	Moderate Risk	30/06/2022

Outdoor Recreation – Sports Bookings

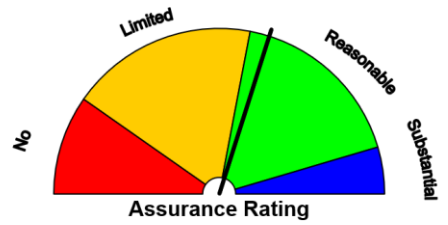


Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
The outdoor recreation booking processes and procedures are adequately controlled, effective and timely.	10	2	6	2
There are systems in place to ensure that ground maintenance officers are aware of the bookings in place.	4	2	1	1
TOTALS	**14**	**4**	**7**	**3**

Summary of Weakness	Risk Rating	Agreed Action Date
The Council did not have an outdoor recreation sports bookings policy in place.	Moderate Risk	30/09/2022
The pricing structure for outdoor activities did not fully reflect the facilities available for use.	Low Risk	Implemented
Inadequate security and access controls were in place at some outdoor recreation facilities.	Low Risk	31/03/2023
The booking schedule on Outlook did not show the exact times and dates the Council facilities were to be used. Outlook is not considered suitable for use as a scheduling tool for multiple bookings.	Low Risk	31/03/2023
Invoices were raised at different points in time depending on the type of sport and the team or organisation's relationship with the Council.	Low Risk	30/09/2022
Discounts had been awarded for sports bookings and fees had been waived in some instances without a formal policy being in place to support them. These discretionary reductions were made by an officer and not subject to senior management approval.	Moderate Risk	30/09/2022
There were occasions when the Council had raised invoices based on notifications from teams or organisations on hours the facilities were used for rather than hours booked.	Low Risk	30/09/2022

There were no checks made to verify the accuracy of the stated usage.		
The Council was not always consistent with the charges applied to sports bookings.	Low Risk	30/09/2022
There was no official allocation priority for the use of Council facilities documented and agreed by the Council. The standard method of allocation that was in use for pitches was not applied to the hire of the Hucknall Pavilion and pitches.	Moderate Risk	30/09/2022
The Council did not request customer feedback on its outdoor recreation facilities.	Low Risk	31/03/2023
There were no checks on the use of outdoor recreation facilities during the evenings or weekends. Therefore unauthorised, unpaid for or uninsured usage of the facilities could go undetected if used outside of working hours.	Low Risk	29/04/2022

Payroll 2021-22

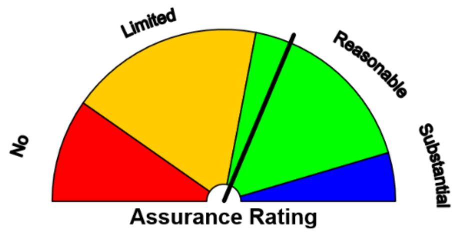


Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
Payroll data is held securely, with appropriate access restrictions. These restrictions are maintained when being transferred between authorities and sufficient backup processes are in place to avoid loss of data.	8	4	0	4
Payroll data is consistent and accurate with appropriate checks in place to identify fraudulent or incorrect entries.	12	6	2	4
TOTALS	**20**	**10**	**2**	**8**

Summary of Weakness	Risk Rating	Agreed Action Date
Access to the personal and sensitive payroll files located on the Council's S:\ drive had not been appropriately restricted, highlighting weaknesses in the transfers and leavers process for shared service user accounts.	Moderate Risk	31/03/2022
Access to the Payroll Recovery Files on the Council's S:\ drive was not adequately protected against unauthorised or fraudulent amendment.	Moderate Risk	Implemented
The file transfer process for the Payroll Recovery Files was a manual process reliant upon one officer.	Moderate Risk	Implemented
The Council were not complying with the GDPR storage limitation principles with regards to the Payroll Recovery Files.	Low Risk	31/03/2022
Address data in Payroll reports was not accurate or consistent, with formatting and spelling errors present.	Low Risk	Risk Accepted

Declarations of Interest were only required at Service Manager Level or above.	Low Risk	Implemented
The payroll system audit trail was not reviewed regularly by management to identify irregular or fraudulent activity.	Low Risk	Risk Accepted
The Recruitment and Selection Policy did not clearly define the level of management that could authorise a starting salary above the lowest spinal column point for a grade, and justification and approval for higher starting salaries was not always available.	Low Risk	01/09/2022

Risk Management 2021-22



Control Objectives Examined	Controls Evaluated	Adequate Controls	Partial Controls	Weak Controls
An appropriate structure and accountability framework for risk management has been implemented.	10	2	8	0
There are appropriate means of identifying, categorising and prioritising risks.	6	2	4	0
Risk mitigation processes have been considered, adopted and implemented.	4	1	1	2
There was appropriate monitoring, reporting and management arrangements in place.	4	2	1	1
TOTALS	**24**	**7**	**14**	**3**

Summary of Weakness	Risk Rating	Agreed Action Date
The coversheet for the Risk Management and Process document contained blank sign off and distribution fields.	Low Risk	01/04/2022
The officer with overall responsibility for risk management was not identified.	Low Risk	01/04/2022
There were several contradictions and inconsistencies within the Risk Management Strategy and Process document.	Low Risk	01/04/2022
Accountabilities were not sufficiently defined within the Risk Management Strategy and Process document.	Low Risk	01/04/2022
The Risk Management Strategy and Process document did not contain an organisational	Low Risk	01/04/2022

chart showing the relationships between all the boards and committees established for risk management.		
Key staff with specific and specialist risk management responsibilities were not identified within the Risk Management Strategy and Process document.	Low Risk	01/04/2022
The risk management framework was not subjected to full ongoing regular review by the Audit Committee as set out within the Risk Management Strategy and Process document.	Low Risk	01/04/2023
Risk registers did not contain the most appropriate information for review, such as the key fields recording inherent and residual risk scores as suggested by good practice.	Low Risk	01/04/2022
The Risk Management Strategy and Process document contained insufficient and contradictory guidance on risk identification techniques.	Low Risk	01/04/2022
The corporate risk definition contained within the Risk Management Strategy and Process document was too broad to accurately differentiate between corporate risk and service level risk.	Moderate Risk	01/04/2022
It was unclear what review periods were in effect for the review of risks and if they were being met.	Low Risk	01/04/2023
Controls listed on the corporate risk register may not have been adequately evaluated in order to mitigate against the identified risk.	Moderate Risk	01/04/2023

RECOMMENDATION TRACKING

Final Report Date	Audit Assignments with Open Recommendations	Assurance Rating	Recommendations Open		
			Action Due	Being Implemented	Future Action
14-Feb-19	Risk Registers	Reasonable	1	0	0
10-Jan-19	Depot Investigation	Limited	0	1	0
24-Apr-18	ICT Performance Management	Reasonable	0	2	0
22-Jun-18	Health & Safety	Substantial	0	1	0
16-Aug-19	Fire Safety	Reasonable	0	1	0
12-Mar-19	Treasury Management & Banking Services	Reasonable	0	1	0
03-Dec-19	Data Quality & Performance Management	Reasonable	0	4	0
31-Jan-20	Information Governance	Reasonable	0	2	0
30-Apr-20	Creditors 2019-20	Substantial	0	2	0
09-Jul-20	Digital Transformation	Reasonable	0	3	0
27-Jul-20	Rent Control	Reasonable	0	1	0
18-Feb-21	Transformation Project Assurance	Limited	0	1	0
21-Jun-21	Management of Fraud Risk	Limited	0	3	10
10-May-21	People Management	Reasonable	0	6	0
21-Jun-21	Delegated Decisions	Reasonable	0	3	1
16-Aug-21	Teleworking Security	Reasonable	0	4	0
01-Oct-21	Environmental Health	Reasonable	2	0	3
05-Oct-21	PCI Compliance in Organisational Transformation	Reasonable	0	2	0
06-Dec-21	Debtors 2021-22	Reasonable	0	0	1
06-Dec-21	Selective Licensing	Reasonable	0	0	6
12-Jan-22	IT Key Controls 2021-22	Reasonable	0	0	8
16-Feb-22	Housing Health & Safety Statutory Compliance	Reasonable	2	0	3
28-Feb-22	Outdoor Recreation - Sports Bookings	Limited	0	0	10
03-Mar-22	Payroll 2021-22	Reasonable	0	0	1
03-Mar-22	Risk Management 2021-22	Reasonable	0	0	12
		TOTALS	**5**	**37**	**55**

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
Risk Registers	0	0	1	0	0	0
Depot Investigation	0	0	0	0	1	0
ICT Performance Management	0	0	0	0	2	0
Health & Safety	0	0	0	0	0	1
Fire Safety	0	0	0	0	1	0
Treasury Management & Banking Services	0	0	0	0	0	1
Data Quality & Performance Management	0	0	0	0	1	3
Information Governance	0	0	0	0	1	1
Creditors 2019-20	0	0	0	0	0	2
Digital Transformation	0	0	0	0	2	1
Rent Control	0	0	0	0	1	0
Transformation Project Assurance	0	0	0	0	0	1
Management of Fraud Risk	0	0	0	0	1	2
People Management	0	0	0	0	0	6
Delegated Decisions	0	0	0	0	1	2
Teleworking Security	0	0	0	0	1	3
Environmental Health	0	1	1	0	0	0
PCI Compliance in Organisational Transformation	0	0	0	0	0	2
Debtors 2021-22	0	0	0	0	0	0
Housing Health & Safety Statutory Compliance	0	1	1	0	0	0
TOTALS	**0**	**2**	**3**	**0**	**12**	**25**

Ashfield District Council – Audit Progress Report

Highlighted Recommendations

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

Being Implemented Recommendations

Data Quality & Performance Management	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
The Data Quality Strategy required updating and had not been formally approved by the Council. We recommend that the Data Quality Strategy is reviewed to ensure it is up to date specifically with current processes and organisational structure. The updated strategy should be approved in accordance with the Council's Constitution.	Moderate Risk
Management Response/Action Details	Action Date
The strategy will be reviewed and presented for approval.	30/04/2020
Status Update Comments	Revised Date
This action will be deferred to enable us to not only update the strategy but also make significant changes in alignment with our digital transformation programme. There have been a number of resourcing issues therefore we have taken on an Interim to undertake and complete these tasks. Interim commenced Dec 2021 and this task will be completed by 31/03/2022.	31/03/2022

Information Governance	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
Sensitive, personal data was being stored in locations which were not suitably restricted to only those officers with a genuine business need to access such information. We recommend that management take appropriate action to ensure that all personal, sensitive data is secured in files, within restrictive sub-folders, with access limited to only those officers who have a genuine business need to access such information.	Moderate Risk
Management Response/Action Details	Action Date
The IT Security Policy Framework is under review. As part of this review we will ensure it is updated to take account of GDPR requirements. Specifically, we will introduce the following measures to assist with ensuring access to data is suitably restricted to only those officers with a genuine business need to access such information: - Starters/Transfers/Leavers E-Form – to be completed by the Section Manager. This form will identify access rights of starters, amendments for staff transferring internally and identify when staff leave the Council. This will be used in conjunction/cross-references with the report received from HR on a quarterly basis. - E-Form for completion by Managers/Directors for folder access changes. - Introduction of new file structure guidelines and cascade through ELT/ALT, DMTs and MOD. - Provision of Group Access Permission lists on a quarterly basis to Service Managers for checking and confirmation/amendment. IT to meet with individual Managers to confirm, amend and clarify what is required of Managers as part of this new process.	30/06/2020
Status Update Comments	Revised Date
Actions have been taken to restrict folders and files. Internal Audit will be reviewing	31/03/2022

these actions as part of the ICT Key Controls audit. We are currently in the process of migrating documents to Sharepoint/Teams which will introduce private channels. This will make it easier for managers to check who has access to the data held in them.

ICT Performance Management	Rec No. 1
Summary of Weakness / Recommendation	Risk Rating
Despite commitment to performance management in the Council's 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. 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.	Moderate Risk
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
The Service Manager for ICT has updated audit that a prerequisite for this recommendation is the implementation of a new helpdesk system which will have appropriate reporting capabilities. The first version of the ICT Service Desk software is now in place but ICT still need to review its reporting capabilities. The post of Service Desk Team Leader is currently being advertised. The Service Manager for ICT has requested a further extension whilst the newly appointed service desk team leader investigates the implementation of the recommendation.	31/03/2022

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. 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.	Moderate Risk
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
The Service Manager for ICT has updated audit that a prerequisite for this recommendation is the implementation of a new helpdesk system which will have appropriate reporting capabilities. The first version of the ICT Service Desk software is now in place but ICT still need to review its reporting capabilities. The post of Service Desk Team Leader is currently being advertised. The Service Manager for ICT has requested a further extension whilst the newly	31/03/2022

appointed service desk team leader investigates the implementation of the recommendation.

Depot Investigation	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
Management and staff were not always adhering to the Council's Leave Policy with meeting requests being used to request and approve leave. We recommend that Management ensure they are complying with the Council's Leave Policy and use the official process to authorise and record leave. After the year end, a sample of leave records should be examined by Management, independently of authorising Managers, to check for accuracy and review the appropriateness of records maintained.	Moderate Risk
Management Response/Action Details	Action Date
Review policy. Implementation of electronic leave request and approval system through MyView. Training and reminder messages for managers and officers. Introduce sample checks.	01/04/2020
Status Update Comments	Revised Date
Policy has been reviewed and circulated to trade unions. Training is still to be undertaken. This has been put on hold due to retirement of the System Administrator and COVID-19. The roll out is almost complete but there are a number of employees who have a digital skills gap or don't have a valid ADC email address in the system. These issues will need to be resolved before implementation is complete.	30/08/2022

Digital Transformation	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
The Council did not have signed, up to date and adequate contracts in place for some of the applications tested. We recommend that a review is undertaken to ensure that the Council has a signed, up to date and adequate contract in place for all Council applications. Where contracts are not in place, the Council should take action to formalise the provision and maintenance of applications in use.	Moderate Risk
Management Response/Action Details	Action Date
Solution architecture review to be completed across the portfolio.	31/10/2020
Status Update Comments	Revised Date
This review has now commenced by the Innovations and Solutions Manager and Procurement and Projects Officer. We need to look at each contract and make sure that on renewal contracts are detailed and in place for each application. We have reviewed all of the major applications and will be reviewing the rest by April 22.	30/04/2022

Ashfield District Council – Audit Progress Report

Digital Transformation	Rec No. 6
Summary of Weakness / Recommendation	**Risk Rating**
The contracts register did not include accurate detail for the applications reviewed as part of the audit. We recommend that the Council ensure all application contracts are included in the contracts register where appropriate, and any upgrades or new contract details are recorded on the register on a timely basis.	Moderate Risk
Management Response/Action Details	**Action Date**
Solution architecture review to be completed across the portfolio.	31/10/2020
Status Update Comments	**Revised Date**
We have looked at all of the contracts and dates in the contracts register but we need to make sure that all of our applications are fully covered. Innovations and Solutions Manager will be doing this work over the next months. Reviewed all of the major applications and will be reviewing the rest by April 22. All the entries on the software register have been reviewed by Solutions Manager and Procurement Officer, to get details of those known and applicable, including contract end dates and dates to review renewals.	30/04/2022

Rent Control	Rec No. 2
Summary of Weakness / Recommendation	**Risk Rating**
There was no evidence of which officers had completed and reviewed the annual housing rent reconciliation. There were also a number of reconciling items from prior years which needed to be reviewed and adjustments made to the system where possible to remove these prior year balancing items on the reconciliation. We recommend that documentary evidence is retained to evidence the completion and review of the annual housing rent reconciliation. Also, that the prior year reconciling items are reviewed, and adjustments made to the system where possible to remove these prior year balancing items on the reconciliation.	Moderate Risk
Management Response/Action Details	**Action Date**
Part 1. This has been completed for 2019/20 but this was after the internal rent audit. Documented on the audit deliverables presented to Mazars. Agree to continue to complete the review annually. Part 2. These reconciling items are to do with system problems within the Open Housing Rent module this has caused errors with some transactions. System fixes are required to correct the balances in the rent groups on the Open Housing System. Until the fixes are completed, this carries forwards incorrect balances, by including these problems, on the Open Housing System. These prior year reconciling items are itemised and documented and do not change year on year. If separate system fixes to the current errors are not possible in the Open Housing System, then a forced fix will be required to the Open Housing System balance on the rent group. A time frame will be set as to when to make this adjustment failing the production of a fix from the software company. Other balances for example minor variance balances and the domestic alarm issue from 2016/17 will be adjusted as soon as possible.	30/09/2020
Status Update Comments	**Revised Date**
Part 1 completed. Part 2 relies on system fixes by the software provider and is being worked with IT (out of our hands regarding completion date, if at all). The other items are complete. A solution has been given however it requires finance to complete labour intensive changes to the system, therefore the deadline will need to be	31/03/2022

amended.

Teleworking Security	Rec No. 2
Summary of Weakness / Recommendation	Risk Rating
Accounts with Remote Desktop Gateway access permissions were not always being disabled in a timely manner for leavers, creating data protection risks. We recommend that management defines, documents and implements a more comprehensive approach to disabling network access for former employees or 3rd parties. This could include populating the account expiration date in advance, once a leavers date has been agreed with the employee to reduce the risk of administrative error.	Moderate Risk
Management Response/Action Details	Action Date
We will review the process. We do have quite comprehensive processes in place but it is still possible to miss people leaving in the short term (they should get detected later due to another process). We will review each part of the process to ensure they are being carried out properly and look at implementing the "expiration date" where possible.	01/10/2021
Status Update Comments	Revised Date
Process is to be documented and added to Service Desk guidelines. 3rd party accounts are not left active when not in use. It will be raised that we need a proper process in place once HR comes back into the Council.	30/09/2022

Fire Safety	Rec No. 5
Summary of Weakness / Recommendation	Risk Rating
Not all entrance doors to flats comply with Fire Safety Regulations. We recommend that the Council reviews all flat entrance doors to identify those which do not comply with Fire Safety Regulations, or those that have failed recent government tests. The Council should then take action to ensure the appropriately accredited fire safety doors are installed at the entrances to all flats.	Moderate Risk
Management Response/Action Details	Action Date
An assessment of all flat entrance doors has been completed and the results forwarded to the Assets & Investment Section for building into future door replacement programme(s). However, due to uncertainties around the manufacture, testing, certification and subsequent affected supply of composite fire doors, it is currently not possible to identify a definitive timescale for completion. The option to use alternative timber fire doors of the appropriate fire safety standards and specification are currently being looked into.	31/03/2020
Status Update Comments	Revised Date
The Framework is with procurement, and legal are reviewing the lease holder agreement regarding the replacement of doors where there flat is leased.	30/09/2021

Ashfield District Council – Audit Progress Report

Delegated Decisions	Rec No. 4
Summary of Weakness / Recommendation	Risk Rating
The comment making process for decision records was not controlled, and unauthorised officers could provide responses. This meant that there was no process in place to enforce accountability. We recommend that the Council develops a process to ensure that the comments on a decision record can be traced back to the officer who provided the comment, therefore ensuring accountability.	Moderate Risk
Management Response/Action Details	Action Date
A process will be implemented whereby the appraisee will add their initials and a date to the comments included in a report. The process will firstly be communicated to appraisees and then explained to CLT followed by a MOTD/e-mail to all Service Managers to cascade to regular report authors to make them aware of the new process.	31/08/2021
Status Update Comments	Revised Date
An email was sent out on the 30/06/2021, explaining the new system. And requesting any decisions going forward to include a initials and date comment given. The email states anything after August should have this approach.	31/03/2022

Management of Fraud Risk	Rec No. 10
Summary of Weakness / Recommendation	Risk Rating
The Council's fraud detection activities were limited, and they did not belong to any fraud groups nor were they a member of the National Anti-Fraud Network (NAFN). We recommend that the Council consider the use of fraud networking groups, such as NAFN, and arrange further regular activities to detect fraud in high-risk areas.	Moderate Risk
Management Response/Action Details	Action Date
The Council will consider becoming a member of NAFN or other fraud networking groups.	31/10/2021
Status Update Comments	Revised Date
This is not yet complete. The Anti-Fraud Officer Working Group has discussed membership of NAFN and some further work is being undertaken regarding the membership.	30/03/2022

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central midlands audit partnership

Ashfield District Council –
Internal Audit Plan 2022-23 & Audit Charter

Audit Committee: 28 March 2022

Contents

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Our Vision

To bring about improvements in the control, governance and risk management arrangements of our Partners by providing cost effective, high quality internal audit services.

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CMAP central midlands audit partnership

Providing Excellent Audit Services in the Public Sector

Introduction

Purpose of Report

The purpose of this report is for the Board to approve the Internal Audit Charter and Annual Internal Audit Plan for 2022-23.

Role of Internal Audit

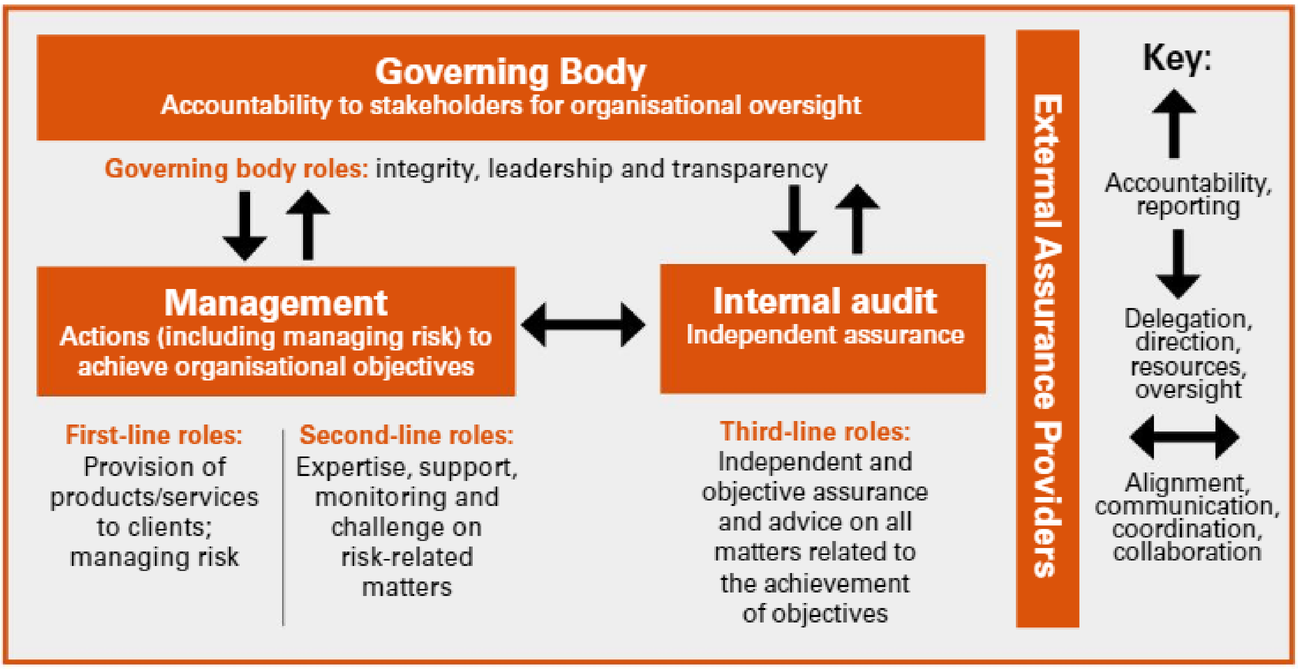
All local authorities must make proper provision for internal audit in line with the 1972 Local Government Act (S151) and the Accounts and Audit Regulations 2015.

The organisation's Internal Audit service is provided by Central Midlands Audit Partnership (CMAP). The Partnership was formed as a Joint Board under section 101 of the Local Government Act 1972. It currently serves 6 public sector organisations and Derby City Council is the host authority. The legal agreement between the Partners has recently been renewed and runs for 5 years until 31 March 2025.

Internal Audit provides the Audit Committee and senior management with objective assurance on the organisation's overall control environment, comprising the systems of governance, risk management, and internal control and highlights control weaknesses together with recommendations for improvement. This helps senior management demonstrate that they are managing the organisation effectively. Internal Audit's work significantly contributes to the organisation's statutory Annual Governance Statement (AGS).

Internal Audit is part of the organisation's governance framework which can be summarised in the three lines model shown below.

IIA Global's Three Lines Model:

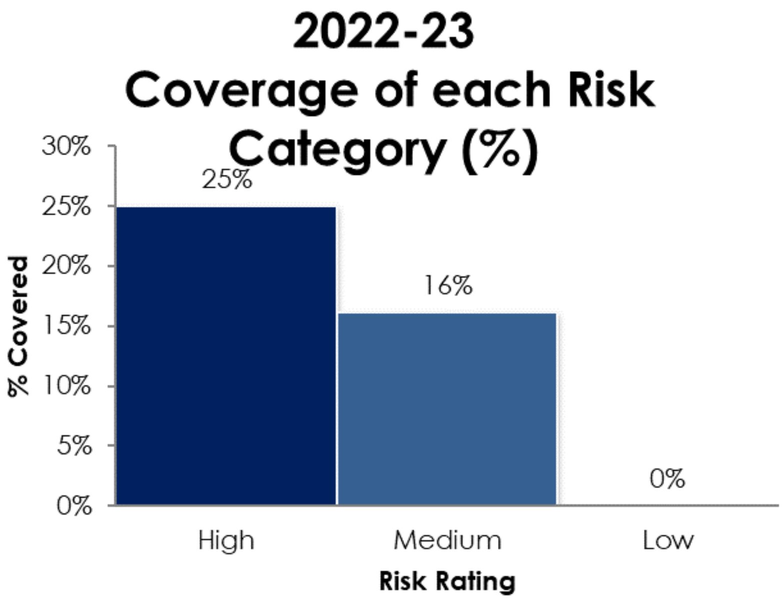


Internal Audit Plan

The Public Sector Internal Audit Standards (PSIAS) state that annually the Chief Audit Executive is responsible for developing a risk-based plan. In this instance, the Chief Audit Executive is Mandy Marples, Audit Manager.

The annual Audit Plan sets out proposals on how this will be achieved in the year ahead. It is a flexible Plan that allows Internal Audit to respond to emerging and changing risks during the year.

The Audit Plan must incorporate sufficient work to enable the Chief Audit Executive to give an opinion on the adequacy of the organisation's overall control environment. Equally Internal Audit must be adequately resourced with the necessary level of skilled and experienced staff to deliver the Audit Plan.



Progress in completing the audit plan, will be submitted to the Audit Committee as part of regular Internal Audit Progress reports.

Internal Audit Charter

An Internal Audit Charter is a formal document that defines internal audit's purpose, authority, responsibility and position within an organisation. The Internal Audit Charter describes how internal audit will provide value to the organisation, the nature of the services it will provide and the specific focus or emphasis required of internal audit to help the organisation achieve its objectives.

Having an Internal Audit Charter also establishes the internal audit activity's position within the organisation, including reporting lines, authorising access to records, personnel, and physical properties relevant to the performance of engagements; also defining the scope of internal audit activities. A copy of the current Internal Audit Charter is attached at Appendix B. It is the role of the Audit Committee to review and approve the 'Internal Audit Charter' on an annual basis.

Approach to Audit Planning

Internal Audit takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, Internal Audit must determine its own judgment of risks following a thorough consultation process. We endeavour to consult with relevant managers to further understand the risk areas where internal audit assurance will be appropriate.

A risk based audit plan has been compiled in consultation with the organisation's Management, using the organisations' risk registers and CMAP's bespoke risk assessment model which considers the following 8 measures of risk

Impact	Materiality	Potentially, how much money could the organisation lose if this area is not properly controlled?
	Criticality	How critical is this function to the effective running of the organisation's core activities?
	Sensitivity	How important is this area in the opinion of senior management and the Board?
	Strategic Effect	How does this function affect the organisation's long term aims and objectives?
Likelihood	Changes	What changes (staffing, procedural, IT, legislative) has this area been subject to?
	Complexity	How complex is the area under review?
	Review Process	How often is this area reviewed by audit and other agencies?
	Inherent Risks	How susceptible is this area to fraud and irregularity?

Once the scores for each of the 81 auditable areas identified have been input to the risk model, along with the date when the area was last audited, the risk model will automatically generate a plan of suggested audit coverage. Senior management are consulted on the proposed plan and their views are taken account of before producing the final, ranked list of areas to audit. This year's risk assessment identified 12 High risk areas, 68 Medium risk areas and 1 Low risk area.

The organisation's External Auditors were also consulted to ensure that the proposed coverage, where possible, complements their work.

Types of Audit Work

Key Financial Systems Audit - Much of Internal Audit's assurance work comes from the review of the risks and controls associated with the organisation's financial systems. External Audit will also review the work on the key financial systems to assist them when determining their opinion on organisation's annual accounts.

Systems / Risk Based Audits - The auditor's prime role is to review the internal control systems developed by management to mitigate operational risks and report upon the adequacy of those controls (see below for control examples). An organisation's overall internal control system is the product of all of those systems and processes that the organisation has created to deliver its business objectives, both financial and non-financial.

Control categories with examples

Preventive
Separation of duties, access controls, authorisation

Detective
Exception Reports, reconciliations, control totals, error reports

Directive
Accounting manuals, documented procedures, training and supervsion

Corrective
Error, incident and complaint handling, virus isolation

Separation of Duties
Division of duties between the appointment and payment of staff

Organisational
Budgets, Performance taregts and KPI's

Authorisation
Authority Levels, spending limits, passwords and user ID

Personnel
Recruitment and selection, staff appraisal procedures

Supervision
Day-to-day oversight of staff and physical activities

Physical
Door entry systems, restricted access to files

Accounting
Control account and bank reconciliation

Management
Team meetings and briefings, CRSA

Source: Chartered Institute of Internal Auditors – Resources – Control

IT Audit – Typically our IT auditing coverage focuses on the following:

- **Infrastructure** - Infrastructure audits cover perimeter defences, authentication, management and monitoring, and devices. Infrastructure audits help provide assurance that the organisation's private network is protected from internet attacks, unauthorised or inappropriate access via local or remote attacks, and also ensure the organisation has the necessary monitoring and incident analysis to maintain and analyse the Network.
- **Applications** - Application audits cover thin and fat client applications, and both internal (Intranet) or external (Web) applications. Applications audits typically focus on CIAA (**C**onfidentiality, **I**ntegrity, **A**vailability and **A**ccountability risks) to ensure attackers cannot exploit vulnerabilities to gain unauthorised access to sensitive corporate data.

Governance/Ethics Reviews - The governance framework comprises the systems and processes, and culture and values, by which the organisation is directed and controlled. Internal Audit reviews corporate systems such as Risk Management, Health & Safety, Data Quality, Anti–Fraud and should consider organisational ethics, values and culture.

Procurement/Contract Audit - Procurement involves the process of acquisition from third parties, and spans the whole life cycle from the initial concept (determining the need), through buying and delivery, to the end of a service contract. The audit approach to procurement should primarily concern the organisation's corporate procurement strategy and associated management structures and processes, including contract procedure rules and detailed procurement guidance.

Client Support Work

To support the organisation, a number of days have also been set aside for the following:

Audit Management – There are certain management tasks that are specific to each Partner organisation, such as, reporting to Audit Committee, Audit Risk Assessment & Planning etc. These require a contingency of days to be planned.

Advice & Emerging Issues - On an ad-hoc basis, Audit is called upon to provide risk and control advice on issues throughout the organisation. This consultancy work is a very important service and requests for Audit input are considered to be a good measure of the quality of the Audit service and of the satisfaction of our clients.

Anti-Fraud/Probity/Investigations - Internal Audit has an important role to play in ensuring that management has effective systems in place to detect and prevent corrupt practices within the Organisation. Internal Audit's role includes promoting anti-fraud best practice, testing and monitoring systems through probity work and advising on change where it is needed. Internal Audit also may be involved in the investigation of suspected internal fraud, theft or major irregularity (where there is some form of alleged financial irregularity, which may have resulted in financial loss to the organisation).

Follow-up Audits - Internal Audit is committed towards ensuring that control improvements are achieved and all agreed actions are acted upon. We have developed a recommendation tracking database, which allows us to monitor, follow-up and report upon the status of all management's actions in respect of agreed audit recommendations.

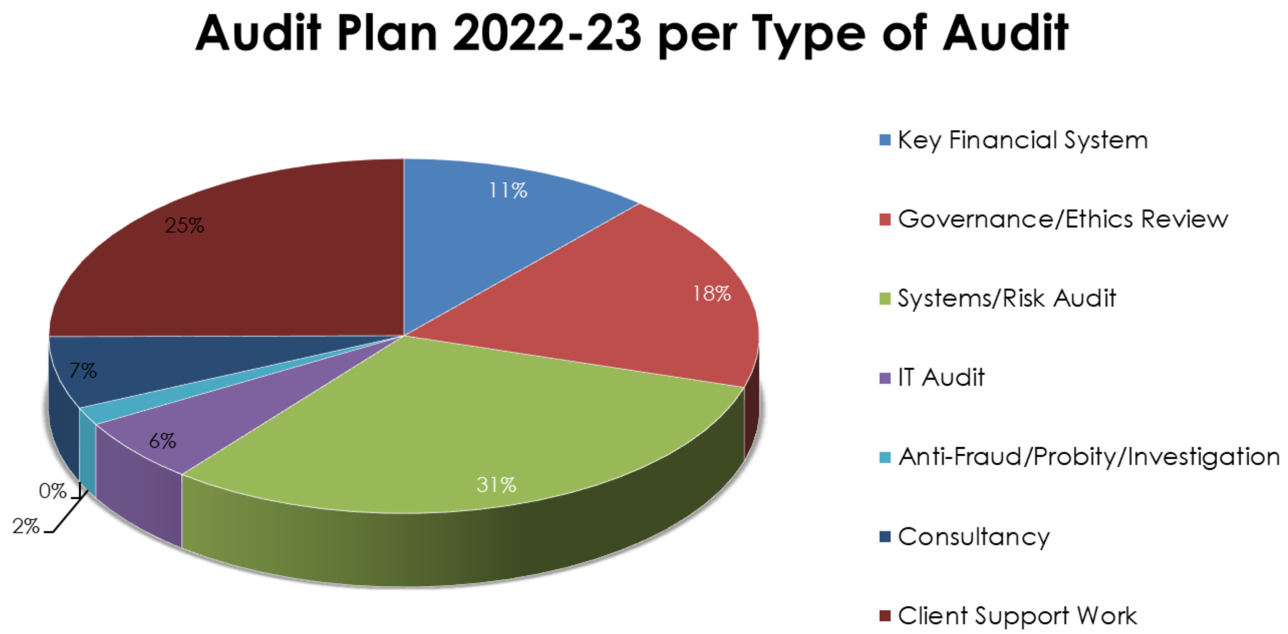
Brought Forward Jobs - Any incomplete audits from the 2021-22 Audit Plan will need to be concluded in 2022-23.

Appendix A - Audit Plan Detail

Our risk assessment of the organisation activities, in consultation with senior management, has concluded that the following audits will be undertaken in 2022-23:

Audit Plan Assignments	Risk Rating	Indicative Quarter
Key Financial Systems Reviews		
General Ledger - Data Analytics	High	Q3
Treasury Management	Medium	Q2
Governance/Ethics Reviews		
Organisational Culture & Ethics	Medium	Q4
Leisure Centre	High	Q4
Future High Streets Fund	Medium	Q4
Anti-Fraud/Probity/Investigation		
Anti-Fraud & Corruption	Medium	Q1
System/Risk Reviews		
Licensing	Medium	Q1
Section 106	Medium	Q2
People Management	Medium	Q3
Estates	Medium	Q2
Housing - Data Quality	Medium	Q1
Housing Health & Safety	Medium	Q2
IT Audit Reviews		
IT Asset Inventory	High	Q2
Consultancy		
Climate Change & Sustainability	Medium	Q1

The detailed scope of each audit assignment will be agreed with the relevant managers nearer the commencement of the audit. The cost of the Internal Audit Service is £111,564, as agreed by the Operational Group. The Partnership Board agreed to reduce the level of CMAP reserves by giving a one-off rebate in 2021/22 to each Partner; this was a rebate of £8,176 for the Council.


Audit Plan 2022-23 per Type of Audit
11%
18%
31%
6%
2%
0%
7%
25%
Key Financial System
Governance/Ethics Review
Systems/Risk Audit
IT Audit
Anti-Fraud/Probity/Investigation
Consultancy
Client Support Work

Appendix B - Audit Charter

Purpose & Mission

The purpose of the Organisation's internal audit service is to provide independent, objective assurance and consulting services designed to add value and improve the Organisation's operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The internal audit service helps the Organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Standards for the Professional Practice of Internal Auditing

The internal audit service will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Audit Executive will report periodically to **senior management**[1] and the **Board**[2] regarding the internal audit service's conformance to the Code of Ethics and the Standards.

Authority

The Chief Audit Executive will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Director of Legal & Governance. To establish, maintain, and assure that the Organisation's internal audit service has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the internal audit service's charter.
- Approve the risk-based internal audit plan.
- Approve the internal audit service's budget and resource plan.
- Receive communications from the Chief Audit Executive on the internal audit service's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.
- The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without management present.

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[1] The PSIAS defines **senior management** as "Those responsible for the leadership and direction of the Council" which in this instance is the organisation's **Corporate Leadership Team.**

[2] The Standards require that Internal Audit report to the **Board.** CIPFA have via the Public Sector Internal Audit Standards (PSIAS) Guidelines, determined that 'Board' may refer to an audit committee to which the governing body has delegated certain functions. In this instance this would be the **Audit Committee**.

The Audit Committee authorises the internal audit service to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the organisation, as well as other specialised services from within or outside the organisation, in order to complete the engagement.

Independence & Objectivity

The Chief Audit Executive will ensure that the internal audit service remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the organisation or its affiliates.
- Initiating or approving transactions external to the internal audit service.
- Directing the activities of any organisation employee not employed by the internal audit service, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.

- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit service.

The Chief Audit Executive will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the organisation. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the organisation's strategic objectives are appropriately identified and managed.
- The actions of the organisation's officers, directors, employees, and contractors are in compliance with the organisation's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organisation.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Chief Audit Executive will report periodically to senior management and the Audit Committee regarding:

- The internal audit service's purpose, authority, and responsibility.
- The internal audit service's plan and performance relative to its plan.
- The internal audit service's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.

- Any response to risk by management that may be unacceptable to the organisation.

The Chief Audit Executive also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The internal audit service may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the internal audit service does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Chief Audit Executive has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the organisation's business, risks, operations, programmes, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the internal audit service collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact the organisation are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the internal audit service.

- Ensure adherence to the organisation's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Ensure conformance of the internal audit service with the Standards, with the following qualifications:
  - If the internal audit service is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - When the Standards are used in conjunction with requirements issued by CIPFA, the Chief Audit Executive will ensure that the internal audit service conforms with the Standards, even if the internal audit service also conforms with the more restrictive requirements of CIPFA.

Quality Assurance & Improvement Programme (QAIP)

The internal audit service will maintain a quality assurance and improvement programme that covers all aspects of the internal audit service. The program will include an evaluation of the internal audit service's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the internal audit service and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit Committee on the internal audit service's quality assurance and improvement programme, including results of internal assessments (both on-going and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the internal audit service.

Central Midlands
Audit Partnership

Ashfield
DISTRICT COUNCIL

Report To:	**AUDIT COMMITTEE**
Date:	**28 MARCH 2022**
Heading:	**CORPORATE GOVERNANCE AND ANTI-FRAUD UPDATE**
Portfolio Holder:	**NOT APPLICABLE**
Ward/s:	**NOT APPLICABLE**
Key Decision:	**NOT APPLICABLE**
Subject to Call-In:	**NOT APPLICABLE**

Purpose of Report

Robust Corporate Governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements. The report includes revisions to the Local Code of Corporate Governance for Committee to consider and approve.

The report sets out the arrangements for preparing the Annual Governance Statement for 2021/22.

The Council has various policies and procedures in place which set out its approach to preventing, detecting and investigating fraud and corruption. The report recommends revising the following policies and procedures:

- Prosecution Policy
- Anti-Money Laundering Policy Statement and Procedure
- Anti-Bribery Policy

The report also provides the Committee with an update in relation to how the Whistleblowing Policy has operated in the preceding 12 months and recommends some amendments to the Whistleblowing Policy.

Recommendation(s)

Committee is asked to:

1. **Approve the amendments to the Local Code of Corporate Governance as shown at Appendix 1;**

2. **Notes the process for preparing the 2021/22 Annual Governance Statement;**

3. **Approve the minor changes to the Prosecution Policy as shown at Appendix 2;**

4. **Approve the minor changes to the Anti-Money Laundering Policy Statement and Procedure as shown at Appendix 3;**

5. **Approve the minor changes to the Anti-Bribery Policy as shown at Appendix 4;**

6. **Approve the minor changes to the Whistleblowing Policy in accordance with the draft attached to the report at Appendix 5; and**

7. **Note how the Whistleblowing Policy has operated during 2021/22.**

Reasons for Recommendation(s)

It is best practice for the Local Code of Corporate Governance to be reviewed annually to inform the Governance Framework for the following year.

Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation. The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

To ensure the Prosecution Policy, the Anti-Money Laundering Policy Statement and Procedure and the Anti-Bribery Policy are reviewed regularly and kept up to date.

To ensure the Committee is adequately informed to enable it to monitor the operation of the Whistleblowing Policy in accordance with the Committee's Terms of Reference as set out in the Constitution. To ensure the Whistleblowing Policy is reviewed regularly and kept up to date.

Alternative Options Considered

The Committee may consider alternative changes to the draft policies and procedures attached which must be in accordance with the law and Council procedures.

Detailed Information

CORPORATE GOVERNANCE

Introduction

Robust Corporate Governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements. This includes various policies and procedures which set out the Council's approach to preventing, detecting and investigating fraud and corruption.

The following policies and procedures which are reviewed every 2 years were updated and approved by this Committee in February 2020:

- Anti-Fraud and Corruption Strategy
- Anti-Bribery Policy
- Anti-Money Laundering Policy Statement and Procedure
- Fraud Response Plan
- Prosecution Policy

The following policies/documents are reviewed annually and were last updated / reviewed in February / March 2021:

- Whistleblowing Policy
- Local Code of Corporate Governance

Local Code of Corporate Governance

The Local Code of Corporate Governance sets out the Council's arrangements and is based on the guidance "Delivering Good Governance in Local Government" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016.

The CIPFA/SOLACE guidance identifies seven core principles and various sub principles; the recommended Local Code of Corporate Governance is based on these seven core principles. The seven principles are:

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement
C. Defining outcomes in terms of sustainable economic, social and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes
E. Developing the Council's capacity, including the capability of its leadership and the individuals within it
F. Managing risks and performance through robust internal control and strong public financial management
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Local Code of Corporate Governance informs the Annual Governance Statement. The Local Code of Corporate Governance is subject to annual review to inform the governance framework for the following year. The Code has been reviewed and some minor changes are recommended as shown highlighted in yellow in the document attached as **Appendix 1.** The changes reflect new or revised documents or policies which evidence and underpin the Council's governance arrangements.

<u>Annual Governance Statement</u>

The Annual Governance Statement (AGS) is prepared in order to publicly report on the extent to which the Council has complied with its Local Code of Corporate Governance. The AGS looks at how the effectiveness of the Council's governance arrangements have been monitored and evaluated during the year and looks at any planned changes. The AGS will be prepared in order to be presented as part of the draft Statement of Accounts which must be reported by 31 July 2022. The preparation of the AGS will follow the process set out below:

- The initial review of the effectiveness of the Council's governance framework has been conducted by the Council's Director of Legal and Governance (Monitoring Officer) supported by the Assistant Director - Corporate Services and Transformation.
- To inform the process, the Corporate Leadership Team has carried out a Corporate Assurance Assessment and each Director has provided a Statement of Assurance.
- The Constitution review, performance reporting and risk management arrangements will be taken into account.
- The results of all this review work will be set out in a draft Annual Governance Statement prepared by the Director of Legal and Governance (Monitoring Officer).
- The Corporate Leadership Team will review the draft Statement and consider whether the improvements proposed represent an appropriate and proportionate response to any significant governance issues identified.
- The draft Governance Statement, modified to reflect the views of the Corporate Leadership Team, will be considered by a Member Working Group made up of the Council's Audit Committee.
- The Director of Legal and Governance (Monitoring Officer) will finalise the Annual Governance Statement in readiness for the finalisation of the 2021/22 Statement of Accounts.
- The Audit Committee at its meeting in September 2022 will be asked to formally approve the Annual Governance Statement as part of the Statement of Accounts.

ANTI-FRAUD

Fraud and Corruption are serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members. The Council is therefore committed to the prevention, detection and investigation of all forms of fraud and corruption whether these are attempted from within or external to the organisation. The Council is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all Council activities.

In order to ensure the Council takes a corporate approach to dealing with fraud and corruption, the Anti-Fraud and Corruption Strategy Group was established a few years ago and meets on a quarterly basis. The Group consists of the Director of Legal and Governance (Monitoring Officer) and representatives from Finance, Legal, Estates, Revenues and Benefits, Housing, Central Midlands Audit Partnership (CMAP), Procurement/Corporate Risk Management and Human Resources with other officers brought on to the group as necessary. The Group develops and delivers an annual work plan. This year's work plan was centred around implementing the audit recommendations from the work undertaken during 2021 assessing the Council against the Government Functional Standards (GovS 013: Counter Fraud) and in particular:

- A review of the suite of anti-fraud and corruption related policies and procedures
- A full review of the Fraud Risk Register
- Clearly identified roles and responsibilities attached to named officers

The Data-Matching Sub-Group sits beneath the main officer group and has its own terms of reference and work plan. Unfortunately, due to Covid related capacity issues, the lead officer (Service Manager, Revenues and Benefits) has been unable to convene this meeting during the past 12 months.

A review of the Council's arrangements regarding Anti-Fraud, including Data Matching, to ensure appropriate operational resilience and resources is underway and is to be consider as part of the Decision Making Accountability work being undertaken by the Local Government Association; the purpose of the LGA involvement is to consider the required roles and responsibilities and where they fit within the organisation. As this work is ongoing, the review of the Anti-Fraud and Corruption Strategy and Fraud Response Plan has not been finalised and will be presented to a future Audit Committee for consideration and approval.

The following policies have been reviewed by the Anti-Fraud and Corruption Strategy Group and are presented for consideration below:

- Legal Services Prosecution Policy
- Anti-Money Laundering Policy Statement and Procedures
- Anti-Bribery Policy
- Whistleblowing Policy

Once all policies have been revised and approved, the Anti-Fraud and Corruption Strategy Group will develop and put in place a training programme for officers and Members.

Legal Services Prosecution Policy

The Prosecution Policy sets out broad principles which will guide criminal enforcement and prosecutions. The Policy seeks to provide consistent guidelines for making decisions to prosecute.

The Council is committed to the highest possible standards of probity and accountability. It is committed to defending the public purse and the public at large subject to consideration of the factors set out in the Prosecution Policy. The Council has a presumption in favour of prosecution against perpetrators of criminal conduct if there is sufficient evidence to initiate a prosecution and taking such action is in the public interest. The Council will treat each case on its own merits.

The Prosecution Policy which appears at **Appendix 2** has been reviewed and some minor amendments shown highlighted in yellow are recommended, these are not substantive changes to the principles in the Policy.

Anti-Money Laundering Policy Statement and Procedures

Money laundering describes offences involving the integration of the proceeds of crime and terrorist funds into the mainstream economy. Money laundering is the channelling of "bad" money into "good" money in order to hide the fact the money originated from criminal or terrorist activity.

This policy sets out the offences created under the Proceeds of Crime Act 2002 and how to report suspicious activity. The Council has nominated the Monitoring Officer as the Money Laundering Reporting Officer.

The policy has been reviewed and minor changes made for clarity and to update contact information are shown highlighted in yellow in **Appendix 3** to this report. A reporting form has also been created and attached to the Policy.

Anti-Bribery Policy

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial or contractual advantage which is done either directly or via a third party. Bribery is a criminal offence.

The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council does not, and will not, accept bribes or improper inducements.

The Council is committed to the prevention, deterrence and detection of bribery. It has a zero-tolerance approach towards bribery.

The policy has been reviewed and minor changes made for clarity and to update contact information are shown highlighted in yellow in **Appendix 4** to this report. The policy has also been updated to note that declarations of gifts and hospitality by Members are published on the Council's website and reported quarterly to the Standards and Personnel Appeals Committee.

Whistleblowing Policy

The Council has in place a Whistleblowing Policy which sets out a process for people to confidently report concerns, such as fraud.

This policy makes it clear that people can report their concerns without fear of reprisals. Paragraph 8.1 of the Whistleblowing Policy states that:

> "*The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. This Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report these to the Standards and Personnel Appeals Committee and the Audit Committee once a year. The Whistleblowing Policy will also be reviewed on a bi-annual basis."*

A review of the policy has been undertaken and some minor changes to the policy are recommended. The revised draft policy is attached at **Appendix 5**; the changes are highlighted in yellow. The recommended changes are largely to ensure clarity, in particular regarding:

- what type of complaints the policy covers;
- who can make complaints under the policy;
- how to make a complaint and to whom.

In relation to the final bullet point, the revised version updates some of the contact and link details and also removes the option of reporting complaints to the Monitoring Officer at Mansfield District Council in advance of the exit from the Shared Legal Service which will take place at the end of June 2022.

The Standards and Personnel Appeals Committee received a Whistleblowing Update report at its meeting on 23 March 2022 and approved the changes.

Application of the Whistleblowing Policy during the Preceding 12 Months

During the period starting April 2021 to the present, there have been **no** reported incidents of whistleblowing drawn to the Monitoring Officer's attention.

Previous Application of Policy

The following table sets out the application of the Whistleblowing Policy for the past 7 years to the present date:

YEAR	TOTAL NUMBER OF COMPLAINTS	NO FURTHER ACTION	MANAGEMENT RECOMMENDATIONS	DISCIPLINARY/GRIEVANCE INVESTIGATION
2015	2	1	1	0
2016	2	0	1	1
2017	3	1	1	1
2018	3	1	0	2
2019	4	3	1	0
2020	1	0	1	0
2021	0	0	0	0
2022 to date	0	0	0	0

Implications

Corporate Plan:

To ensure we deliver high-quality public services we have adopted a set of corporate values which underpin the successful delivery of our priorities. How we work is as important as what we do. The Council's values are:

- People Focussed
- Honest
- Proud
- Ambitious

It is important that the Council has the most effective infrastructure and support to enable:

- The delivery of the Corporate Plan
- Financial sustainability to continue to deliver key services
- A productive workforce that delivers services well

Legal:

Each policy attached to this report for approval details the relevant legislation. [RLD 17/03/2022]

Finance: [PH 18/03/22].

Budget Area	Implication
General Fund – Revenue Budget	There is an annual budget of £10k which is specifically for the purpose of funding costs associated with fraud

	which falls to the Monitoring Officer to release and monitor.
General Fund – Capital Programme	N/A
Housing Revenue Account – Revenue Budget	N/A
Housing Revenue Account – Capital Programme	N/A

Risk:

Risk	**Mitigation**
Anti-Fraud Failure to have in place adequate anti-fraud policies and processes could lead to serious issues which can affect the services the Council provides, undermine the achievement of corporate objectives and impact upon the public's confidence in the integrity of Council Officers and Elected Members. Failure to maintain integrity and confidence in the Whistleblowing Policy and its applications. Failure to review the Local Code of Corporate Governance would mean the governance framework is not complied with and would impact on the Annual Governance Statement process.	The implementation of the recommendations of the recent audit as set out above will ensure the Council's policies and procedures are improved in line with the recent Government Functional Standard. The approval of the revised policies attached to this report will ensure these are reviewed and updated regularly to ensure continued compliance. Annual reporting to the Audit Committee and Standards and Personnel Appeals Committee. Annual update on the application of the policy. Update reporting in accordance with the policy to the Whistleblower (if identified). Identification of trends in disclosure to inform Management. The review ensures compliance with the governance framework and assists with the annual governance review.

Human Resources:

Regular review, maintenance and consistent application of the Whistleblowing Policy infers good employment practices. As such it is important to maintain the integrity of the policy.

There are no other Human Resource issues identified in the report.

Environmental/Sustainability

There are no Environmental/Sustainability issues identified in the report or the policies reviewed.

Equalities:

There are no equalities issues identified as a direct result of the report. Equalities issues would be considered as part of any whistleblowing investigation

Other Implications:

None.

Report Author and Contact Officer

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LOCAL CODE OF CORPORATE GOVERNANCE

Director of Legal and Governance (Monitoring Officer)

APPROVED:
Audit Committee – 28 March 2022

REVIEW:
March 2023

<u>Version Control</u>

Version Number	Date Issued
Original	November 2017
V2	December 2018
Revised v3	February 2020
Reviewed (no changes)	March 2021
Revised v4	March 2022

Introduction

Governance ensures organisations are doing the right things in the correct manner in an open, honest, inclusive and accountable way. Good governance leads to good management, performance and outcomes. It ensures the Council delivers the visions and priorities set out in its Corporate Plan.

Corporate governance is part of the overall control framework and contributes to the Council's robust governance arrangements.

Ashfield District Council is committed to good corporate governance. The Council has a framework of policies and procedures in place which collectively make up its governance arrangements. This Local Code of Corporate Governance sets out the Council's arrangements and is based on the guidance "*Delivering Good Governance in Local Government*" published by CIPFA (the Chartered Institute of Public Finance and Accountancy) and SOLACE (the Society of Local Authority Chief Executives) in 2016.

The Guidance assumes that each Council will develop its own approach to governance, ensuring its resources are directed to its individual priorities and in accordance with its own policies.

The fundamental principles of corporate governance are openness, inclusivity, integrity and accountability. The CIPFA/SOLACE guidance identifies seven core principles and various sub principles; the Council's Local Code of Corporate Governance is based on these seven core principles.

The seven principles are:

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

- Ensuring openness and comprehensive stakeholder engagement

- Defining outcomes in terms of sustainable economic, social and environmental benefits

- Determining the interventions necessary to optimise the achievement of the intended outcomes

- Developing the Council's capacity, including the capability of its leadership and the individuals within it

- Managing risks and performance through robust internal control and strong public financial management

- Implementing good practices in transparency, reporting and audit to deliver effective accountability

The Code sets out the documents, systems, processes and actions the Council undertakes to fulfil its commitment to and compliance with this Code. The Code supports the Council's review of the effectiveness of its system of internal control and informs the Annual Governance Statement which accompanies the Annual Statement of Accounts.

The Audit Committee is responsible for approving the Code. The Chief Executive and the Monitoring Officer are responsible for ensuring the Code is kept up to date and reviewed annually.

The Principles

The Council aims to achieve good standards of governance by:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
B. Ensuring openness and comprehensive stakeholder engagement
C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
D. Determining the interventions necessary to optimise the achievement of the intended outcomes
E. Developing the entity’s capacity, including the capability of its leadership and the individuals within it
F. Managing risks and performance through robust control and strong public financial management
G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Putting principles into effect

	Principle	This will be achieved by
A	Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• Corporate Plan • Strategic Direction • The Constitution • Member's Code of Conduct • Employees' Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Equalities policies • Whistleblowing Policy • Anti-Bribery Policy Statement and Procedures • Anti-Money Laundering Policy Statement and Procedures • Member/Officer Protocol • Registers of Interests – Members and officers • Registers of Gifts and Hospitality – Members and Officers • Officer and Member development strategies • Corporate Complaints procedures • Modern Slavery and Human Trafficking Transparency Statement • Modern Slavery and Human Trafficking Policy Statement • Member Complaints Process • Annual Governance Statement • Financial Regulations • Contract Procedure Rules • Social Media Policy – Members and officers • Standards and Personnel Appeals Committee • Overview and Scrutiny function • Audit Committee • Licensing Committee • Planning Committee • Report template for decision-making which incorporates financial, legal, HR, equalities and risk appraisal. • Social Media Policies • Equalities Policies • Ashfield 24/7 – resident portal Each of the statutory officers is able to operate with the appropriate independence; the organisational culture respects and supports their integrity and provides the staffing arrangements to support their work.
B	Ensuring openness and comprehensive	• The Constitution • Corporate Plan

	stakeholder engagement	• Community Engagement and Consultation Strategy • Forward Plan • Council Website – includes meeting agendas and minutes of current and archived meetings and decisions • Public Questions at Council • Public speaking at Planning Committee • Petition Scheme • Publications Scheme • Overview and Scrutiny functions • Council Social Media • Social Media Policies • Citizens' Panel • Ashfield Community Partnership • Co-location with DWP and Police • Partnership Protocols • Formal shared service arrangements • External audit assessment of Value for Money • Satisfaction Surveys • Budget consultation/engagement • The Council's booklet "*Ashfield Matters*" • Ashfield 24/7 – resident portal • People Strategy • Budget Accountability Letters
C	Defining outcomes in terms of sustainable economic, social, and environmental benefits	• Corporate Plan • Strategic Direction • Forward Plan • Corporate report templates including legal, financial, Human Resource, equalities and risk appraisal • Corporate Risk Management framework • Audit Committee review of risks • MTFS • Capital Programme including Capital Gateway assessment process • Project Management Framework • Business Case development • Weighted Benefit Model • Service Plans • Performance management processes

		• Contract Procedure Rules • Procurement Strategy • Social Value Policy • Ashfield Health and Wellbeing Partnership

D	Determining the interventions necessary to optimise the achievement of the intended outcomes	• The achievement of its Corporate Plan objectives are planned through a number of Programme Boards, which encompass:
		  ○ Regeneration
		  ○ Commercial Investment Working Group
		  ○ Digital and Service Transformation Board
		  ○ Health and Well Being
		  ○ Discover Ashfield
		  ○ Efficiency
		• Business cases
		• Project framework
		• Weighted Benefit Mode
		• MTFS, capital programme
		• Budget setting and monitoring processes
		• Corporate report templates including legal, financial, human resource and risk appraisal
		• Council's website
		• Overview and Scrutiny functions
		• Consultation arrangements
		• Service Plans
		• Weekly Corporate Leadership Team meetings
		• Regular Senior Leadership Team Meetings
		• Directorate Management Team meetings
		• 1-2-1 meetings
		• Performance framework and reporting
		• Value for Money assessment by external auditor

E	Developing the entity's capacity, including the capability of its leadership and the individuals within it	• Corporate Plan • The Constitution (including Scheme of Delegation) • Members' Code of Conduct • Employees' Code of Conduct • Equalities policies • Officer and Member development strategies • Personal Development Reviews • Officer Competency framework • Clearly defined roles – job descriptions, person specifications • Recruitment and selection procedures • Staff surveys • Cross Party Update Group

		• Peer Challenge
F	Managing risks and performance through robust internal control and strong public financial management	• Corporate Risk Register is regularly updated and considered by the Audit Committee • Directorate risk registers • Performance monitoring and reporting • Corporate report templates including legal, financial, human resource, equalities and risk appraisal • Overview and Scrutiny function • MTFS • Capital Programme • Financial Regulations • Budget reporting and monitoring • Anti-Fraud and Corruption Policy & Strategy • Equalities policies • Whistle-blowing Policy • Anti-Bribery Policy Statement and Procedures • Anti-Money Laundering Policy Statement and Procedures • Emergency Planning and procedures and Business Continuity Plans • Information management policies and procedures including implementation of GDPR • Publication Scheme • Procurement Strategy • Contract Procedure Rules • Assessment of Value for Money by external auditors • Health and Safety Policies and Procedures • Fraud Risk Register
G	Implementing good practices in transparency, reporting, and audit to deliver effective accountability	• Council's website and social media channels • Council Website – includes meeting agendas and minutes of current and archived meetings and decisions • Community Engagement and Consultation Strategy • Pay Policy published • Publication Scheme • Local Code of Corporate Governance – updated annually • Annual Governance Statement and Corporate Assurance Checklist are updated annually

		• Reporting of performance • Publication of Annual Report and Statement of Accounts • External auditors annual audit letter is published • Audit Committee • Peer Challenge

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Ashfield
DISTRICT COUNCIL

LEGAL SERVICES
PROSECUTION POLICY

Director of Legal and Governance
(Monitoring Officer)

APPROVED:
Audit Committee – 28 March 2022

REVIEW:
March 2024

Version Control

Version Number	Date Issued
Original	April 2009
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Revised V2 & Website	January 2014
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Revised V4	Jan 2020
Revised v5	March 2022

BACKGROUND

The Council has a variety of statutory and regulatory functions for which, within its administrative area, it is the relevant enforcing authority.

This policy sets out broad principles that will guide prosecutions. It also seeks to provide consistent guidelines for making decisions to prosecute. It is not intended to be prescriptive or exhaustive. The Council will exercise its discretion when appropriate, about the extent of involvement or action (as applicable) required, looking at each case individually.

This policy is intended to provide broad guidance to officers involved in the charging decisions and prosecution of regulatory offences. In either case, it enables officers to determine the appropriate course of action to take where criminal activity is involved.

POLICY STATEMENT

Ashfield District Council is committed to the highest possible standards of probity and accountability. It is committed to defending the public purse, and the public at large but subject to consideration of the factors set out in this policy.

The Council adopts a presumption in favour of prosecution against perpetrators of criminal conduct, if there is sufficient evidence to initiate a prosecution and taking such action is in the public interest. The Council will treat each case on its own merits.

The same broad principles apply equally to those matters for which the Council has a statutory or regulatory mandate to protect the interests of the wider public.

SCOPE OF THE POLICY

Link to Other Local Policies

A number of departments within the Council with statutory, regulatory or other enforcement powers have in place their own enforcement policies that focus on service specific operational considerations. It is not anticipated that the department policies will conflict with this policy, they are expected to complement this policy, providing detailed operational context specific to the enforcement remit of the relevant service(s) to which they relate. In the event, however, that a conflict may arise, clarification should be sought from the Director of Legal and Governance (Monitoring Officer).

UNDERTAKING OUR OWN PROSECUTIONS

These arise from statutory or regulatory powers vested in the Council, as enforcing authority for specific statutory or regulatory crime within the administrative area of Ashfield. These powers will either arise by way of a power or a duty to act.

A power provides the Council with discretion over whether or not to investigate the commission of an offence. Whatever decision is arrived at must be capable of objective justification. In practice, this translates into assessing what the most appropriate action and/or sanction should be in the circumstances under consideration. Not every case would therefore result in an investigation, or prosecution.

A duty in the event of breach of regulatory or statutory provisions invariably means that there is no discretion afforded to the Council whether or not to investigate the commission of an offence. Therefore when there is a duty to act the Council must act.

Following an investigation, a two-stage test will be undertaken prior to a decision to prosecute being made. First, an assessment of the available evidence **("the evidential test")** to determine whether or not there is enough evidence to secure a realistic prospect of conviction, will be undertaken. This part of the two stage process is a professional assessment and in all cases will be undertaken by officers in Legal Services.

The second part of the test is an assessment of the interests of justice **("the public interest test")** i.e. understanding the extent the public interest needs to see that justice is seen to be done. This assessment will typically be undertaken jointly between officers of the Legal Service and relevant case officers from the service area involved in the investigation of the offence.

Only where **both** the evidential and public interest tests are satisfied will a prosecution ever follow. In coming to a decision the Code for Crown Prosecutors will also be applied.

SANCTIONS

There are a range of sanctions to be considered in deciding the action to take in relation to the public interest test. For each of the sanctions identified below, non-exhaustive examples are provided of the sort of considerations that may be taken into account:

<u>Take No Action</u>

The Council may consider taking no action in the following circumstances:

- it is a first offence;
- there was voluntary disclosure by the offender;
- the age of the offender (at the date on which action is being considered);
- there are significant physical, mental or other welfare considerations;
- there has been undue delay between the date of the offence and the date on which a decision on sanction is being made, unless the:
    - seriousness of the offence is significant
    - delay is caused wholly or partly by the offender
    - discovery of the offence is recent
    - investigation of the offence has, out of necessity, been lengthy and complex

The relevant test is determining whether the public interest would be best served by proceeding with a prosecution in the circumstances. Each case is to be determined on its own unique facts.

Issue a Local Authority Caution

The Council may consider issuing a caution in the following circumstances:

- it is a first offence;
- the offence is minor;
- the offence was committed as a result of a genuine mistake or misunderstanding, balanced against the seriousness of the offence;
- there was no planning involved/criminality was opportunistic;
- the offence was admitted during an interview under caution;
- genuine expression of remorse/regret by the offender;
- the public interest merit in prosecution is questionable e.g. there might be social, medical or other welfare factors which ordinarily mitigate against a decision to prosecute;
- the offender has put right the loss or harm caused (but care should be taken to ensure offenders do not avoid prosecution solely because they make recompense).

Although across relevant services, cautions may be administered by Service Managers and Assistant Directors or higher, they should only ever be offered where there is prior assessment by Legal Services that there is sufficient evidence available to secure a conviction. This is because where a caution is offered, and the offender refuses to accept the caution, the case must proceed to prosecution.

A service area register of cautions administered by the Council is held by the Director of the appropriate service department.

Prosecution

A decision to prosecute will be made where there is sufficient admissible evidence to provide a realistic prospect of conviction which has been properly obtained and there is a public interest to prosecute.

Other Options

Informal Warnings, cautions or fixed/civil penalties. In appropriate circumstances, these may be suitable methods of disposal following an investigation. The enforcement policy of the service area policies will detail which alternative options are available to individual services within the Council. Their application in service specific contexts should not be construed as being inconsistent with this policy.

Appendix A contains a suggested checklist for use in assessing the appropriate sanction in any given case and explains the rationale to be used in assessing whether or not to refer a matter for prosecution. It should be noted that this list is not exhaustive.

LIAISON & COOPERATION WITH OTHER AGENCIES

The Council may liaise with other agencies as necessary (e.g. the Police, Crown Prosecution Service, Social Services) concerning a potential prosecution.

There will be occasions when it is necessary to undertake multi-agency investigations and/or prosecutions because criminal activity or statutory/regulatory breaches cut across the remit of other agencies in addition to the Council. Examples include prosecutions where offences have been committed in neighbouring authorities.

Between the Council service or directorate involved in such initiative and the external organisation, arrangements exist to identify which authority will be the lead within the operation. Where the Council service is the lead, this prosecution policy will apply to the prosecution of offenders resulting from the operation.

MONITORING OF POLICY STATEMENT & GUIDANCE

This policy and guidance will be reviewed every two years by the Director of Legal and Governance (Monitoring Officer).

Appendix A

Procedural Guidance

Introduction

This table below explains the rationale to be used in assessing whether or not to refer a matter for prosecution or, as may be the case, whether or not to prosecute.

Issue	**Points to consider**	**Yes/No**[1]
Evidence	Is there sufficient evidence to secure a realistic prospect of conviction	
	Is all the evidence admissible?	
	Has all the evidence been obtained appropriately?	
	Has the evidence been reviewed by Legal Services?	
Degree of criminality	How was the offence committed?	
	Was it opportunist?	
	How much planning went into the offence?	
	Was this a deliberate offence?	
	Was there collusion?	
Persistent offender	Has the offender previously been convicted of a similar or other relevant offence?	
	Has the offender previously committed a similar or other relevant offence, for which they received a sanction (other than conviction following a prosecution)?	
Position of Trust	Is the offender in a position of trust?	
Duration	For how long did the offence continue?	

Voluntary disclosure	How did the offence come to the attention of the Council?	
	Was the offence admitted at the earliest opportunity?	
	Did the offender lie?	
Widespread offence	Is the offence part of a local trend?	
Social/Medical factors	Are there any mitigating personal circumstances?	
	Are there any mental or physical disabilities? (Evidence must be provided by a medical professional)	
	Is the perpetrator fit to stand trial? (Evidence will be required from a medical professional and may ultimately be a question for the court to determine)	
	Would sanction significantly impact on children or other vulnerable person(s)?	
Equality considerations Public Interest	Do the factual circumstances impact on one or more of the equality strands in the Equality Act 2010?	
	What value is there for the Council and/or the general public for a prosecution to proceed?	

ANTI-MONEY LAUNDERING POLICY STATEMENT AND PROCEDURES

Director of Legal and Governance (Monitoring Officer)

APPROVED:
Audit Committee – 28 March 2022

REVIEW:
March 2024

Version Control

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V2	March 2022

Introduction

The Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

Scope of this Policy

This policy applies to those permanently and temporarily employed by the Council, agency staff, consultants, contractors, volunteers, partners and Elected Members.

Its aim is to enable those who work on behalf of, or with the Council and its Elected Members to respond to a concern they have in the course of their dealing for the Council. Individuals who have a concern relating to a matter outside of work should contact the Police.

This policy sits alongside the following Council policies:

- The Constitution:
    - Financial Regulations
    - Contract Procedure Rules
    - Members' Code of Conduct
    - Employees' Code of Conduct
- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- Anti-Bribery Policy
- Prosecution Policy
- Fraud Response Plan

Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy.

What is Money Laundering?

Money laundering describes offences involving the integration of the proceeds of crime or terrorist funds into the mainstream economy. Money laundering is the channelling of "bad" money into "good" money in order to hide the fact the money originated from criminal or terrorist activity.

The relevant legislation is the:

- Proceeds of Crime Act 2002 (as amended)
- Terrorism Act 2000 (as amended)
- Money Laundering Regulations 2007
- Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017
- Money Laundering and Terrorist Financing (Amendment) Regulations 2019

The Proceeds of Crime Act 2002 creates the following offences:

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Failure to disclose one of the offences listed above where there are reasonable grounds for knowledge or suspicion
- Doing something that might prejudice an investigation, for example, falsifying documentation
- Tipping off a person who is, or is suspected of being, involved in money laundering in such a way as to reduce the likelihood of, or prejudice, an investigation

Potentially heavy penalties (unlimited fines and imprisonment for up to 14 years) can be handed down to those who are convicted of one of the offences set out above.

The Terrorism Act 2000 makes it an offence to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

The risk of the Council contravening the money laundering legislation is low, however, it is still extremely important that all those working for the Council and its Elected Members are familiar with their responsibilities to report potential money laundering activities.

Potential or suspected money laundering activity should be reported to the Money Laundering Reporting Officer (MLRO).

Requirement of the Money Laundering Legislation

The main requirements of the legislation are:

- To appoint a Money Laundering Reporting Officer (MLRO)
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures
- Maintain client identification procedures in certain circumstances

The Money Laundering Reporting Officer (MLRO)

The Council has designated the Monitoring Officer as the Money Laundering Reporting Officer (MLRO).

The Monitoring Officer can be contacted as follows:

By post:	Council Offices, Urban Road, Kirkby-in-Ashfield, Nottinghamshire, NG17 8DA
By telephone:	01623 457009
By e-mail:	ruth.dennis@ashfield.gov.uk

In the absence of the Monitoring Officer, concerns should be raised with the Chief Finance Officer who can be contacted as follows:

By telephone:	01623 457362
By e-mail:	pete.hudson@ashfield.gov.uk

Circumstances that may be Susceptible to Money Laundering

- Sale of Council land/buildings (as sale proceeds could be in cash)
- Sales of Council residential properties (under the right-to-buy scheme)
- Receipt of cash payments
- Investments – this would cover activities such as the issue of local bonds or transfers to or from non UK banks

Indicators that should raise suspicion include:

- Where the person you are dealing with is excessively secretive or obstructive
- Where a transaction seems unusual, such as an unusually large cash payment
- An overpayment or duplicate payment in cash where the refund is requested by cheque
- Where a customer pays funds to the Council but then ends the transaction for no apparent reason, or unexpectedly asks for money to be refunded or forwarded to a third party
- Where a customer tells you that funds are coming from one source and at the last minute the source changes
- Absence of an obvious legitimate source of funds e.g. where an individual is on a low income and is purchasing a property from the Council
- Movement of funds overseas, particularly to a high risk country
- Individuals and companies that are insolvent but have funds
- Purchase of property (e.g. a Council house) where no mortgage is involved

Identification, information about source of money, and record-keeping

In some circumstances, you may wish to seek confirmation of the identity of an individual involved in a transaction with the Council (such as the purchase of land or a property from the Council). This could be, for instance, where the individual is not represented by a solicitor who would be expected to have carried out the necessary checks. Evidence of identification and details of the transaction must be kept for at least 5 years.

Where there is no obvious source of funds, you may consider asking the individual to explain the source of the funds and to provide evidence to substantiate the explanation. Assess whether you think their explanation is valid: for example, the money may have been received from an inheritance or from the sale of another property.

Reporting Procedure

Where you know or suspect that money laundering activity is taking, or has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you **MUST DISCLOSE THIS AS SOON AS PRACTICABLE TO THE MLRO**. The disclosure should be at the earliest opportunity not weeks or months later, any delay may make you liable to prosecution.

Your disclosure should be made to the MLRO using the report form attached as Appendix 1 to this policy.

The disclosure report must include as much detail as possible including:

- Full details of the people involved
- Full details of the nature of their/your involvement
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent
- Where they took place
- How they were undertaken
- The amount of money/assets involved
- Why you are suspicious
- Attach copies of all relevant documentation

The MLRO must then consider if there are reasonable grounds for knowledge or suspicion of money laundering and if so, to prepare a report to the National Crime Agency (NCA).

Once a report has been made to the MLRO you must follow any directions she gives you. You must NOT make any further enquiries into the matter yourself. You must NOT take further steps in the transaction without authorisation from the MLRO.
All Elected Members and those working for the Council must cooperate with the MLRO and the NCA during any subsequent money laundering investigation.

At no time and under no circumstances should you voice any suspicions to the person whom you suspect of money laundering, otherwise you may commit an offence of “tipping off”.

Consideration of the Disclosure by the Money Laundering Reporting Officer

The MLRO must promptly consider the information provided and carry out other reasonable enquiries she thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required. The MLRO must consider if:

- There is actual or suspected money laundering taking place; or
- There are reasonable grounds to know or suspect that is the case; and
- Whether she needs to seek consent from the NCA for a particular transaction to proceed.

If the MLRO considers that a report to the NCA is necessary, this must be done as soon as practicable and made on the NCA's standard reporting form and in the prescribed manner.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then she shall mark the report accordingly and give her consent for any ongoing or imminent transactions to proceed.

All disclosure reports made to the MLRO and the NCA should be kept confidential and retained for a minimum of 5 years.

The MLRO commits a criminal offence if she knows, or suspects, or has reasonable grounds to do so, through a disclosure being made to her, that another person is engaged in money laundering and she does not disclose this as soon as practicable to the NCA.

Training

The Council will:

- Make all those working for the Council and its Elected Members aware of this policy and their responsibility to report potential money laundering activity
- Give targeted training to those most likely to encounter money laundering.

Policy Review

The Monitoring Officer and the Audit Committee will ensure the continuous review and amendment of this policy to ensure that it remains compliant.

The policy should be reviewed every two years.

Appendix 1

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICER

SUSPECTED MONEY LAUNDERING ACTIVITY

To:	Monitoring Officer acting as Money Laundering Reporting Officer
From:	………………………………
Post Title:	………………………………
Section:	………………………………
Tel. No.	………………………………
E-mail:	………………………………
Dated:	………………………………

Please do not discuss the contents of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.

Please attach any relevant information / documents to this report

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved: *[If a company / public body please include details of nature of business / activity]*

Nature, value and timing of activity involved:

[Please include full details e.g. what, where, how. Continue on a separate sheet is necessary.]

Nature of suspicions regarding activity:

[Continue on a separate sheet is necessary.]

Has an investigation been undertaken? Yes/No

If yes, please include details below:

Have you discussed your suspicions with anyone else? Yes/No

If yes, please provide details of who the discussions took place with and explain why such discussion was necessary:

Have you consulted any supervisory body for guidance regarding money laundering? For example, The Solicitors Regulation Authority.

Yes/No

If yes, specify below:

Please set out below any other information you feel is relevant:

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ANTI-BRIBERY POLICY

Director of Legal and Governance
(Monitoring Officer)

APPROVED:
Audit Committee – 28 March 2022

REVIEW:
March 2024

Version Control

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V2	**March 2022**

Policy Statement

Bribery is an inducement or reward offered, promised or provided to gain personal, commercial or contractual advantage which is done either directly or via a third party. Bribery is a criminal offence.

The Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council does not, and will not, accept bribes or improper inducements.

The Council is committed to the prevention, deterrence and detection of bribery. It has a zero-tolerance approach towards bribery.

The Council aims to make anti-bribery compliance business as usual, rather than a one-off exercise.

The Bribery Act 2010

There are four key offences under the Bribery Act 2010 (the Act):

- **Bribery by another person -** under Section 1 of the Act it is an offence to offer, promise or give a bribe.
- **Accepting a bribe -** Section 2 of the Act also makes is an offence to request, agree to receive, or accept a bribe.
- **Bribing a foreign official -** Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.
- **Failing to prevent bribery -** A corporate offence is created by Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by, or of, persons associated with the organisation. The Council fits the definition of a “commercial organisation”.

Penalties

An individual guilty of an offence under Sections 1, 2 or 6 of the Act is liable:

- On conviction in a Magistrates’ Court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both.
- On conviction in a Crown Court, to imprisonment for a maximum term of 10 years, or to an unlimited fine, or both.

Organisations are liable for these fines and if found guilty of an offence under Section 7 of the Act are liable to an unlimited fine.

Public Contracts and Failure to Prevent Bribery

Under the Public Contracts Regulations 2015 a company is automatically barred from competing for public contracts where it is convicted of a corruption offence, including bribery. The Council will, in such cases, exclude organisations convicted of any such offences from participating in tenders for public contracts with it.

Objectives of this Policy

This policy provides a framework to enable the Council's employees and other "relevant persons" to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

Relevant Persons include those permanently and temporarily employed by the Council, agency staff, consultants, contractors, volunteers, partners and Elected Members.

The Council requires all Relevant Persons to:

- Act honestly and with integrity at all times and to safeguard the Council's resources for which they are responsible.
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.

Scope of this Policy

This policy applies to all the Council's activities. For partners, contractors, suppliers, Council owned companies and joint ventures, it will seek to promote the adoption of policies consistent with the principles set out in this policy.

Responsibility to control the risk of bribery occurring resides at all levels of the Council. It does not rest solely within assurance functions, but in all sections, Directorates and corporate functions.

This policy covers all relevant persons at all levels and grades.

The Council's Commitment to Action

The Council commits to:

- Settings out a clear Anti-Bribery Policy and keeping it up to date.
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times.

- Training all employees and Elected Members so that they can recognise and avoid occurrences of bribery by themselves and others.
- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution.
- Taking firm and vigorous action against individuals involved in bribery.
- Provide information to all employees on how to report breaches and suspected breaches of this policy.
- Include appropriate clauses in contracts to prevent bribery.

Adequate Procedures

The Council will put in place adequate procedures which it will apply proportionately, based on the risk of bribery in the Council. The Council will base its procedures on the recommended six principles which are not prescriptive. The principles are intended to be flexible and outcome focused ensuring procedures are robust and effective.

The six principles are as follows:

- **Proportionate procedures** – procedures to prevent bribery should be proportionate to the bribery risks faced and the nature, scale and complexity of activities. They are also clear, practical, accessible, effectively implemented and enforced.
- **Top level commitment** – top level management should be committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable. The Council's Corporate Leadership Team, the Cabinet and the Audit Committee have all endorsed this policy.
- **Risk Assessment** – the Council assesses the nature and extent of its exposure to potential external and internal risks of bribery routinely and as an integral part of its usual procedures. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.
- **Due Diligence** – the Council applies due diligence taking a proportionate and risk based approach in respect of persons who perform, or will perform, services for, or on behalf of, the Council, in order to mitigate identified bribery risks.
- **Communication (including training)** – the Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood through communication, including training that is proportionate to the risks it faces.
- **Monitoring and Review** – the Council monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

The Council is committed to the implementation of these principles.

Bribery is not tolerated

It is unacceptable to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given.
- Give, promise to give or offer a payment, gift or hospitality to a government official, agent or representative to facilitate or expedite a routine procedure.
- Accept payment from a third party where it is known or suspected that it is offered with the expectation that it will obtain a business advantage for them.
- Accept a gift or hospitality from a third party where it is known or suspected that it is offered or provided with an expectation that a business advantage will be provided by the Council in return.
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy.
- Engage in activity in breach of this policy.

Facilitation Payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

Gifts and Hospitality

This policy is not meant to change the requirements of the Council's gifts and hospitality policies for Elected Members and Employees.

Employees may, depending upon the circumstances, accept nominal gifts and hospitality. Employees must always exercise caution when accepting gifts and hospitality. Employees must declare the offer or acceptance of gifts and hospitality with a value over £25 as set out in the Employees' Code of Conduct.

Elected Members may, depending upon the circumstances, accept gifts and hospitality. Gifts or hospitality offered or accepted with a value of over £50 must be declared as set out in the Members' Code of Conduct. Declarations of gifts and hospitality by Members are published on the Council's website and reported quarterly to the Standards and Personnel Appeals Committee.

When deciding whether or not to accept an offer of a gift or hospitality the context is very important. An offer from an organisation seeking to do business with or provide a service to the Council or in the process of applying for permission or some other decision from the Council is unlikely to ever be acceptable, regardless of the value of the gift.

Responsibilities of Relevant Persons

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all Relevant Persons who are required to avoid activity which breaches this policy.

All Relevant Persons must:

- Ensure they read, understand and comply with this policy.
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred, or may occur in the future.
- As well as the possibility of civil legal action and criminal prosecution, employees who breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Raising a Concern

The Council is committed to ensuring that there is a safe, reliable and confidential way of reporting any suspicious activity and wants Relevant Persons to know how to raise concerns.

All have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner it is brought to attention, the sooner it can be resolved.

There are various channels to help raise concerns. The Council's Whistleblowing Policy sets out how concerns may be raised. Preferably the disclosure will be made and resolved internally. Ideally, concerns should be raised initially with a line manager or Director. If this is not possible concerns may be raised with the Chief Executive, the Monitoring Officer, the Chief Finance Officer.

Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publically, such as via the press or on social media. Concerns can be made anonymously. In the event that an incident of bribery, corruption or wrong doing is reported, the Council will act as soon as possible to evaluate the situation. It has clearly defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in an investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

Employees who raise concerns or report wrongdoing, including those employees who reject an offer made to them that could be perceived as bribery, may understandably be worried about the repercussions. The Council aims to encourage openness and will support anyone who raises a genuine concern in good faith under this policy, even if this turns out to be mistaken.

The Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

If you have any questions about these procedures, please contact the Monitoring Officer.

How do you Report your Concerns?

Concerns may be raised verbally or in writing. You can raise your concerns in writing by post or e-mail, by telephone or in person. All correspondence sent by post should be addressed to the Monitoring Officer and marked 'Strictly Private and Confidential' and sent to:

The Monitoring Officer

Ashfield District Council

Council Offices

Urban Road

Kirkby-in-Ashfield

Nottingham

NG17 8DA

Chief Executive	(01623) 457250	theresa.hodgkinson@ashfield.gov.uk
Monitoring Officer	(01623) 457009	ruth.dennis@ashfield.gov.uk
Chief Finance Officer	(01623) 457362	pete.hudson@ashfield.gov.uk

If your concerns are raised in writing, you should try to note all relevant details. Set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation.

Other Relevant Policies

Further information on relevant Council policies and practice can be found in the following documents:

- The Constitution:
  - Financial Regulations
  - Contract Procedure Rules
  - Members' Code of Conduct
  - Employees' Code of Conduct
- Anti-Fraud and Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy Statement and Procedure
- Prosecution Policy
- Fraud Response Plan

Useful Links

The Bribery Act 2010 - https://www.legislation.gov.uk/ukpga/2010/23/contents

Bribery Act Guidance - www.gov.uk/government/publications/bribery-act-2010-guidance

CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption – www.cipfa.org/policy-and-guidance/reports/code-of-practice-on-managing-the-risk-of-fraud-and-corruption

Local Government Fraud Strategy – Fighting Fraud Locally - https://www.cifas.org.uk/secure/contentPORT/uploads/documents/FFCL%20-%20Strategy%20for%20the%202020's.pdf

Policy Review

The Monitoring Officer and the Audit Committee will ensure the continuous review and amendment of this policy to ensure that it remains compliant.

The policy should be reviewed every 2 years.

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Ashfield
DISTRICT COUNCIL

WHISTLEBLOWING POLICY

Director of Legal and Governance (Monitoring Officer)

APPROVED:
Audit Committee – [28 March 2022]
Standards Committee – [23 March 2022]

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March 2023

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WHISTLEBLOWING POLICY

1. Introduction

1.1 Employees, Councillors and the public may have concerns about some form of inappropriate conduct within the Council. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice or dangers to the public or the environment, it can be difficult to know what to do.

1.2 You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may fear harassment or victimisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do.

1.3 Ashfield District Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we encourage employees, Councillors and the public with serious concerns about any aspect of the Council's work to come forward and voice those concerns. It is recognised that certain cases will have to proceed on a confidential basis. This policy document makes it clear that you can do so without fear of victimisation, discrimination or disadvantage. This Whistleblowing Policy is intended to encourage and enable you to raise serious concerns within the Council rather than overlooking a problem or reporting it outside.

1.4 This policy applies to all employees, Councillors, partners, volunteers, contractors, suppliers and the public.

2. Aims of this Policy

2.1 This policy aims to:

- encourage you to feel confident in raising concerns at the earliest opportunity
- provide avenues for you to raise concerns and receive feedback on any action taken
- allow you to take the matter further if you are dissatisfied with the Council's response
- reassure you that you will be protected from reprisals or victimisation if you have reasonable belief that you have made any disclosure in good faith

3. Scope of this Policy

3.1 In this Policy, "Whistleblowing" means:

The disclosure of information which relates to some danger, fraud or other illegal or unethical conduct connected with the workplace, be it of the employer or its employees.

3.2 This Policy is intended to enable those who become aware of wrongdoing in the Council affecting some other person or service, to report their concerns at the earliest opportunity.

3.3 The Policy is not intended to replace existing procedures:

- If your concern relates to your own treatment as an employee, you should raise it under the existing grievance or bullying / harassment procedures (in other word, personal grievances)
- If a member of the public has a concern about services provided to them, it should be raised as a complaint to the Council
- Complaints of misconduct by Councillors are dealt with under a separate procedure (the Monitoring Officer can advise you in relation to this process)

3.3 Under this Policy you should report any serious concerns that you have that:

- make you feel uncomfortable in terms of known standards
- are not in keeping with the Council's Procedure Rules and policies
- fall below the established standards of practice
- amount to improper conduct

The concern may be something that relates to:

- conduct which is an offence or a breach of the law
- disclosures relating to miscarriages of justice
- deliberate breach of a Council policy or official code or regulation
- misuse of public funds or other assets
- possible fraud or corruption
- the endangering of health and safety of the public and/or other employees,
- damage to the environment
- unethical conduct
- the deliberate concealment of information which would constitute evidence of any of the above

4. Safeguards

Your Legal Rights

4.1 This policy has been written to take account of the Public Interest Disclosure Act 1998 which protects workers making disclosures about certain matters of concern, when those disclosures are made in accordance with the Act's provisions and in good faith.

The Act makes it unlawful for the Council to dismiss anyone or allow them to be victimised on the basis that they have made an appropriate lawful disclosure in accordance with the Act.

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

Harassment or Victimisation

4.2 The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect you when you raise a concern in good faith. The Council's disciplinary procedures will be used against any employee who is found to be harassing or victimising the person raising the concern or who has disclosed the name of the whistleblower to any person other than those named in this document. Disclosure or harassment of the whistleblower by a Councillor will be reported under the Members' Code of Conduct.

Confidentiality

4.3 The Council will do its best to protect your identity when a concern is raised. During the course of an investigation attempts will be made to find independent corroborating evidence to allow your identity to remain confidential. However, it must be recognised that in some circumstances identities will have to be revealed to the person the allegation is made against and you may be asked to provide written or verbal evidence in support of the allegation. If the matter is reported to the Police or another external body they may be unable to guarantee to withhold your identity.

4.4 Your identity will not be released until the reason for the disclosure has been discussed with you. The Council will offer advice and guidance on the procedures and arrangements in the event of a person having to give evidence to an external body or in court.

Anonymous Allegations

4.5 This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful, but they will be considered at the discretion of the Monitoring Officer in consultation with the Chief Executive Officer.

4.6 In exercising the discretion, the factors to be taken into account would include:

- the seriousness of the issues raised
- the credibility of the concern
- the likelihood of confirming the allegation from attributable sources

If you choose to use this method of reporting, the allegation should contain as much information as possible to ensure the allegation is considered as a credible concern that requires further investigation.

Untrue Allegations

4.7 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make malicious or vexatious allegations appropriate action that could include disciplinary action may be taken against you. It will be a matter for the Monitoring Officer to form a view of whether an allegation has been made maliciously or vexatiously and to refer her view to the relevant Director if disciplinary action needs to be considered. If you are a Councillor a complaint may be made under the Members' Code of Conduct.

5. How to raise a concern

Who do you Report your Concern to?

5.1 This will depend on the seriousness and sensitivity of the issues involved or who is thought to be involved in the malpractice. You should normally raise concerns initially with your line manager or Director. If this is not appropriate you should contact:

Position	Contact	E-mail
Chief Executive	(01623) 457250	theresa.hodgkinson@ashfield.gov.uk
Monitoring Officer	(01623) 457009	ruth.dennis@ashfield.gov.uk

If you suspect fraud or corruption you may also approach the officer detailed below. This is consistent with the Council's Financial Regulations and the Anti-Fraud and Corruption Strategy.

Position	Contact	E-mail
Chief Finance Officer	(01623) 457362	pete.hudson@ashfield.gov.uk

How do you Report your Concerns?

5.2 Concerns may be raised verbally or in writing. You can raise your concerns in writing by post or e-mail, by telephone or in person. All correspondence sent by post should be addressed to the Monitoring Officer and marked 'Strictly Private and Confidential' and sent to:

The Monitoring Officer
Ashfield District Council
Council Offices
Urban Road
Kirkby-in-Ashfield
Nottingham
NG17 8DA

5.3 If your concerns are raised in writing, you should try to note all relevant details. Set out the background and history of the concern, giving names, dates and places where possible, and the reason why you are particularly concerned about the situation.

5.4 The earlier you express the concern, the easier it is to take action.

5.5 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for your concern.

5.6 You may wish to consider raising your concern with a colleague first and you may find it easier to do so if there are two (or more) of you who have shared the same experience or concerns.

5.7 You may invite your trade union or professional association to raise a matter on your behalf. It is expected that in the first instance the procedure detailed at 5.1 will be followed.

6. What the Council will do

6.1 The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be investigated internally
- be investigated by Internal Audit (Central Midlands Audit Partnership)
- be referred to the Police
- be referred to the Council's external auditor
- form the subject of an independent inquiry

6.2 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of specific procedures (for example, discrimination issues) will normally be referred for consideration under those procedures. The overriding principle which the Council will have in mind is the public interest.

6.3 Some concerns may be resolved by agreed action without the need for investigation.

6.4 Where the concern has been raised includes a contact name and address, then within ten working days of a concern being received, the Council will write to you:

- acknowledging that the concern has been received
- indicating how it proposes to deal with the matter
- giving an estimate of how long it will take to provide a final response
- telling you whether any initial enquiries have been made
- telling you if further investigations will take place, and if not, why not

6.5 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

6.6 When any meeting is arranged, you have the right, if you so wish, to be accompanied by a Trade Union or professional association representative or a workplace colleague who is not involved in the area of work to which the concern relates. If you wish, the meeting may take place away from the Council Offices.

6.7 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will advise you about the procedure.

6.8 The person investigating the concerns will produce a written report that:

- outlines the concerns/allegations
- details the investigation procedure
- gives the outcomes of the investigation
- details recommendations where appropriate

6.9 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations.

7. How the matter can be taken further

7.1 This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- A prescribed person - See Gov.uk Guidance – Whistleblowing: List of prescribed people and bodies
  Website: https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2
- The Comptroller and Auditor General
  The Comptroller and Auditor General
  National Audit Office
  157-197 Buckingham Palace Road
  London
  SW1W 9SP
  Tel: 020 7798 7999
  Website: www.nao.org.uk/contact-us/whistleblowing-disclosures/
- The independent charity Protect on
  Work Helpline: (020) 3117 2520
  E-mail: protect-advice.org.uk/contact-protect-advice-line/
  Website: www.protect-advice.org.uk
- ACAS
  Helpline number: 0300 123 1100 Monday-Friday: 8am-8pm and Saturday 9am-1pm
  Website: https://www.acas.org.uk/archive/whistleblowing

If you raise concerns outside the Council you should ensure that it is to one of these contacts. A public disclosure to anyone else could take you outside the protection of the Public Disclosure Act and of this Policy. **When raising a concern externally remember to make it clear that you are raising the issue as a whistleblower; this gives you additional statutory rights.**

You should not disclose information that is confidential to the Council or to anyone else, except to those included in the list of contacts.

8. The Responsible Officer

8.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. This officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report these to the Standards and Personnel Appeals Committee and the Audit Committee once a year. The Whistleblowing Policy will also be reviewed annually.