

Agenda

Audit Committee

Date: **Tuesday 14 December 2021**

Time: **5.30 pm**

Place: **Council Chamber**

For any further information please contact:

Alec Dubberley

Democratic Services Manager

0115 901 3906

Audit Committee

Membership

Chair	Councillor Bob Collis
Vice-Chair	Councillor Meredith Lawrence
	Councillor Liz Clunie
	Councillor Boyd Elliott
	Councillor Kathryn Fox
	Councillor Helen Greensmith
	Councillor Ron McCrossen

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AGENDA

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MINUTES AUDIT COMMITTEE

Tuesday 21 September 2021

Councillor Bob Collis (Chair)

Councillor Meredith Lawrence
Councillor Liz Clunie
Councillor Kathryn Fox

Councillor Helen Greensmith
Councillor Ron McCrossen

Absent: Councillor Boyd Elliott

Officers in Attendance: P Adcock, A Ball and A Dubberley

8 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS.

Apologies had been received from Councillor Elliott.

9 TO APPROVE, AS A CORRECT RECORD, THE MINUTES OF THE MEETING HELD ON 29 JUNE 2021

By way of update to minute 4, the Director of Corporate Resources informed Members of the progress made in addressing the audit recommendations in respect of Commercialisation and a report was considered by the Senior Leadership Team recently. A full update would be brought to the December Committee.

RESOLVED:

- 1) To note the update in respect of the Commercialisation Audit; and
- 2) That the minutes of the above meeting, having been circulated, be approved as a correct record.

10 DECLARATION OF INTERESTS.

None.

11 INTERNAL AUDIT PROGRESS REPORT

Gurpreet Daly (BDO) introduced a report, which had been circulated in advance of the meeting, summarising the outcome of internal audit activity completed by the BDO Internal Audit Team for the period from June 2021 to September 2021; one advisory audit on Risk Management and one on Housing Benefits

RESOLVED:

To note the report and the actions taken or to be taken.

12 FINANCIAL MANAGEMENT CODE

The Director of Corporate Resources introduced a report, which had been circulated in advance of the meeting, informing Members of the introduction of CIPFA's Financial Management Code (the Code) as a framework to support good practice in local authorities by the setting of standards of financial management. The report outlined how it is considered that the Council presently adheres to this and set out details of proposed actions intended to ensure full compliance.

RESOLVED to:

- 1) Note the introduction of the CIPFA Financial Management Code and that 2021/22 will be the first year for which full compliance will be required;
- 2) Note the initial assessment set out in appendix 2 of the Council's assessed level of compliance with the standards in the Code and the resulting actions required and refer it to Cabinet for approval; and
- 3) Note that progress towards the actions identified will be monitored by the Audit Committee through the production and monitoring of the Annual Governance Statement.

13 CORPORATE RISK MANAGEMENT SCORECARD QUARTER 1 2021/22

The Head of Finance and ICT introduced a report, which had been circulated in advance of the meeting, updating members on the current level of assurance that could be provided against each corporate risk.

RESOLVED to:

- 1) Note the progress of actions identified within the Corporate Risk Register; and
- 2) Thank officers for their hard work in keeping the risks well managed.

14 ANY OTHER ITEM WHICH THE CHAIR CONSIDERS URGENT.

None.

The meeting finished at 6.10 pm

Signed by Chair:
Date:



Report to Audit Committee

Subject: Progress Update Commercialisation Audit Report June 2021

Date: 14 December 2021

Author: Chief Executive

Purpose

To update Members in relation to the progress made against the recommendations of the Commercialisation Audit Report dated June 2021.

Recommendation(s)

That Members:

- 1) Note the progress to date in relation to the Commercialisation Audit Report dated June 2021

1 Background

- 1.1 The Council is responsible for ensuring that its business is conducted in accordance with current legislation, and that proper standards are observed in the use of public money. Under the Council's Constitution and as a part of the overall corporate governance arrangements, this Committee is responsible for monitoring the performance of the Internal Audit activity and to consider summaries of internal audit reports.
- 1.2 The Council has an annual Internal Audit Plan in place for the regular auditing of activity in order to provide assurance that internal controls are effective and governance standards are being maintained. As a part of this plan an audit on Commercialisation was undertaken by the Council's appointed internal auditor, BDO, with the results provided in a report to this Committee at its meeting on 29 June 2021.
- 1.3 The Internal Audit opinion on Commercialisation provided limited assurance in terms of both the design and operational effectiveness of the internal controls in this area of activity and made a number of

recommendations for improvement which were accepted by management for implementation. The Committee requested that a report be brought back by management to provide an update on the progress being made towards addressing the recommendations made in the Commercialisation Audit which is the purpose of this report.

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

2 Proposal

- 2.1 It is proposed that the management progress being made in implementing the recommendations of the Commercialisation audit as detailed in Appendix 1 of this report is noted, and that the changes enacted as a response to the findings of the audit report for Commercialisation continue to be embedded within the teams responsible.

2.2 Legal Powers to Charge

At the meeting of 29 June 2021, Members also requested details on the powers to provide commercial services outside of the borough boundary. This is as follows:

- There are a number of powers available to the authority to charge for services, some are derived through specific statutory powers and some through general powers. The Localism Act 2011 ("the Act") provides a general power of competence (section 1) which enables authorities to do anything that an individual may do, anywhere in the United Kingdom with or without charge and for a commercial purpose. The power is not unlimited and may be restricted by other specific statutory powers, for example specific powers to charge contained in other legislation.
- The Act also provides that where activities are conducted for a charge, this charge, taken year on year must not generate income in excess of the cost of the service. Where authorities are carrying out activities for a commercial purpose, in that their primary purpose is to make a profit, this should be done through a company vehicle, as required by the Act.
- In addition to the general power under the Act, there are a number of other specific powers to charge for services which pre-date the Act and which do allow the authority to charge what is reasonable for the provision of certain services e.g. the Environmental

Protection Act 1990 and waste regulations made thereunder. Whilst the Environmental Protection Act and accompanying regulations provide the power to charge, they also restrict the power to charge in certain instances, for example a waste collection authority is required to collect household domestic waste without charge within its area.

- Section 93 of the Local Government Act 2003 also provides a power for authorities to charge for discretionary services, if authorised to provide such services by any enactment (narrower than the Localism Act). Again this power is limited by other enactments which provide specific powers to charge or may require no charge is made for certain functions. Under this legislation again, there is a requirement that year on year charges do not exceed the cost of providing the service. Any, trading which is for a commercial purpose must be done through a company. This legislation is not as wide as the Act and relates to authority functions.

3 Alternative Options

- 3.1 There is no alternative option identified for this report.

4 Financial Implications

- 4.1 There are no financial implications arising from this report.

5 Legal Implications

- 5.1 As detailed in the report.

6 Equalities Implications

- 6.1 There are no equalities issues arising as a direct result of this report.

7 Carbon Reduction/Environmental Sustainability Implications

- 7.1 There are no carbon or environmental issues arising as a direct result of this report.

8 Appendices

- 8.1 Appendix 1 – Management Progress Against Recommendations
Commercialisation Audit Report June 2021

9 Background Papers

9.1 Commercialisation Audit Committee Report 29 June 2021

Statutory Officer approval

Approved by the Chief Financial Officer

Date: 2 December 2021

Approved by the Monitoring Officer

Date: 30 November 2021

**Appendix 1 - Management Progress against Recommendations -
Commercialisation Audit Report June 2021**

1. FEES AND CHARGES SCHEDULE AND BUSINESS PLANS ARE NOT EFFECTIVE IN ACHIEVING A SUFFICIENT RATE OF RETURN, AND ARE NOT BEING MANAGED/MONITORED EFFECTIVELY		
1A	The Council should establish a robust process for market research with evidence retained.	Completed. Market research now forms a part of the Council's process for the development of all new business cases and business plans. This requirement is embedded within the appropriate templates.
1B	Market research should feed into a structured business case that is taken to Cabinet and scrutinised effectively.	Completed. The requirement for Cabinet consideration of all new business cases for commercial services is supported within the project management framework. The business case template now contains a section for market research aligned to this recommendation.
1C	Market research should be undertaken/overseen ensuring the competency of the individual is sufficient and this should be set out in the business case as to why this requirement has been met.	Completed. The Council currently has suitably qualified officers within the Communication and Marketing team able to undertake and verify market research as required in the business case template.
1D	Appropriate mitigating actions for risks identified should be included and reviewed throughout the process to ensure risks are minimised.	Completed. This is in place within the business case and business plan templates. Risks may also be added to the corporate or service risk registers within the Council, which are reviewed regularly.
1E	Forecasting undertaken should take into account the market research completed with lead times built into the achievement of these forecasted figures and potential market shares.	Completed. The business planning and business case templates include this. Finance and legal sign off of all new business plans and business cases will also ensure this is in place for each commercial service.
1F	Targets set should be in realistic proportion to the market size rather than the maximum amount that could be earned. Unless there is specific reason to do so, it should be expected that the market size to be achieved would be low (<10% of the relevant local market) in the first year. Specific reasons could include a limited number of suppliers or specific	Completed. The Council's business case and business plan template guidance has been amended to include this reality check.

	networks/relationships which mean the Council would be well placed to obtain more of the market.	
1G	Annual target setting should take into account previous year's performance with detailed forecasting completed and evidenced.	Completed. This is in place within the revised business plan template which will be reviewed and updated annually.
2. FEES AND CHARGES SCHEDULE AND BUSINESS PLANS ARE NOT EFFECTIVE IN ACHIEVING A SUFFICIENT RATE OF RETURN, AND ARE NOT BEING MANAGED / MONITORED EFFECTIVELY		
2A	Current viable commercial services should have business plans developed.	Currently outstanding due to workload, Covid, and staff sickness – revised date May 2022. A full review is being undertaken with regard to the four main commercial services, namely, garden waste collection, trade waste collection, pet cremation service, and arborist service. This will lead to the development of a business plan for each service area which will be reported to SLT for consideration and sign off and then reviewed/updated annually.
2B	Moving forward, business plans should be established for future commercial services once they have been approved by Cabinet	Completed. This will be actioned for every new commercial service being presented to Cabinet for approval.
2C	Business Plans should be reviewed on a periodic basis to ensure the services objectives and targets are appropriate. This should happen no later than 12 months from initial approval for all new business ventures.	Completed. Once produced, these will be updated by Heads of Service and reviewed by SLT on an annual basis.
3. THE COUNCIL DOES NOT ANALYSE THE CONVERSION OF QUOTES INTO ACTUAL JOBS AND/OR DO NOT KNOW THE REASONS FOR THIS		
3A	There should be a detailed review of the quote conversion rate, looking at the reasons behind non-conversion rather than just the figures, with plans to address issues included in the meeting as a standing item	Partly outstanding as recent sickness levels are causing a pressure on workload for both the administration and the arborist teams – revised date February 2022. Monthly meetings between the Operations Manager, the Business Administrations Manager, Head of Service, and the Finance Officer for the service are scheduled using a standard agenda to cover the areas raised. The process for quotes has been simplified already based on an hourly

		rate determined by the number of arborists required i.e. a 2 man team, 3 man team etc. The take up / conversion of those quotes requires telephone and/or email follow-up action by the administration team which is proving difficult currently due to capacity.
3B	Minutes should be taken or an action plan established to detail steps decided upon.	Currently outstanding – revised date February 2022. Once these meetings resume then minutes will be taken and proposed actions recorded.
4.	THERE IS INEFFECTIVE MONITORING TOWARDS THE ACHIEVEMENT OF INCOME GENERATION TARGETS TO MANAGEMENT AND HEADS OF SERVICE	
4A	A formalised reporting structure should be established for commercial activities with agreed upon reports established which cover financial, operational and performance information.	Partly outstanding – revised date May 2022. Monthly income reports are provided to each service manager, which gives details on progress against income targets. Work on a quarterly briefing report on financial, operational and performance information will be developed by the meeting officers detailed above.
4B	Minutes, or at a minimum action logs, should be kept for meetings to ensure an adequate audit trail of monitoring is established and improvement actions are recorded and reviewed.	Currently outstanding – revised date February 2022. Covered in 3B.

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Report to Audit Committee

Subject: Internal Audit Progress Report 2021/22

Date: 14 December 2021

Author: Kate Ball – Audit Manager (BDO)

1 Purpose of Report

To summarise the outcome of the internal audit activity completed by the BDO Internal Audit Team for the period April to December 2021.

Recommendation(s)

THAT:

- 1) Members receive the Report and note actions taken or to be taken.**

2 Background

- 2.1 The Internal Audit Plan 2021/22 was approved by the Audit Committee on 16 March 2021. This report provides a summary update on the final reports issued by BDO in the period July to December 2021 and highlights associated key findings and any concerns identified in any work in progress.

3 Proposal

- 3.1 The following reports have been finalised since the last Audit Committee meeting:

2021/22 Report (Final)

- Taxi Licensing
- Asset Management Plan
- Homelessness and Temporary Accommodation
- Employment and Skills.

4 Financial Implications

- 4.1 The Internal Audit Plan is delivered within the approved budgets.

5 Legal Implications

5.1 None arising directly from this report.

6 Equalities Implications

6.1 None arising directly from this report

7 Carbon Reduction/Environmental Sustainability Implications

7.1 None arising directly from this report.

8 Appendices

8.1 None



INTERNAL AUDIT PROGRESS REPORT

Gedling Borough Council

December 2021

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SUMMARY OF DECEMBER 2021 WORK

INTERNAL AUDIT

This report is intended to inform the Audit Committee of progress made against the 2021/22 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report, and are based on us giving either "substantial", "moderate", "limited" or "no". The four assurance levels are designed to ensure that the opinion given does not gravitate to a "satisfactory" or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

2021/2022 INTERNAL AUDIT PLAN

Four audits have been completed and we are pleased to present the following reports to this Audit Committee:

- Taxi Licensing
- Asset Management Plan
- Homelessness and Temporary Accommodation
- Regeneration - Employment and Skills

The following audit has been completed and a draft report produced which we hope to present at the next Audit Committee:

- IT Architecture.

Fieldwork is due to commence this month on the following audit which we hope to present at the next Audit Committee:

- Environmental Health Services and Enforcement.

REVIEW OF DECEMBER 2021 WORK

AUDIT	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Housing Benefits	September 2021	✓	✓	✓	●	●
Risk Management (Advisory)	September 2021	✓	✓	✓	N/A	N/A
Taxi and PHV Licensing (20/21)	December 2021	✓	✓	✓	●	●
Asset Management	December 2021	✓	✓	✓	●	●
Regeneration (employment and skills)	December 2021	✓	✓	✓	●	●
Homelessness & Temporary Accommodation	December 2021	✓	✓	✓	●	●
IT Architecture	March 2022	✓	✓	✓		
Environmental Health Services & Enforcement	March 2022	✓				
Main Financial Systems	March 2022	✓				
Procurement & Contract Management	March 2022	✓				
Sustainable Environment	March 2022	✓				



TAXI LICENSING (20/21)

Design Opinion



Moderate

Design Effectiveness



Moderate

Recommendations



SCOPE

AREAS REVIEWED

- Review of Taxi and PHV Policies, including the checks which need to be undertaken to ensure a person is “fit and proper,” ensuring they are reviewed on a regular basis and approved by the Licensing Committee
- Testing of applications to verify that they are received and reviewed in a timely manner
- Ensuring appropriate evidence is retained to demonstrate completion of checks and basis for decision.
- Confirming links are in place with appropriate agencies to help identify relevant convictions which occur during the life of a license
- Testing to ensure that the processing of applications and decision-making is captured and reported appropriately with relevant action taken
- Ensuring statutory reporting of data, as required, is validated and reported in a timely manner.



AREAS OF STRENGTH

- The Council met its statutory requirement to submit its annual return to the Department for Transport setting out its key taxi license data, including the number of licensed vehicles and its vehicle specification policies
- The Council carries out multi-agency enforcement operations on a quarterly basis where they conduct spot-checks on vehicles to identify any potential faults which have not been addressed by drivers, potentially leading to the suspension of licenses where appropriate.



AREAS OF CONCERN

- There is insufficient evidence obtained and recorded during vehicle inspections carried out by the Council to substantiate the results of the inspection and no documented review process
- There is a lack of management reporting taking place within Licensing to monitor the service's performance, eg covering number of licenses processed and vehicles inspected
- There is no document control included within the Council's 'Statement of Policy and Guidelines for the Licensing of Hackney Carriage Drivers, Private Hire Drivers and Private Hire Operators' to indicate when the document is next subject to review and who approved the previous version
- The license application review checklist completed by Officers when assessing a driver's application has not been updated to incorporate the checks carried out against the National Anti-Fraud Network (NAFN) database. Furthermore, there is no evidence uploaded to the Uniform system to verify the result of the check and the Council has not yet implemented processes to contribute to the database.

ASSET MANAGEMENT

Design Opinion



Moderate

Design Effectiveness



Moderate

Recommendations

0

2

2



SCOPE

AREAS REVIEWED

- Confirmation of whether asset management is prioritised at a senior level and whether a senior officer has been identified as the Council's property asset 'champion'
- Review of how asset valuations are determined at the Council ensuring valuations are carried out in line with defined requirements and changes in value are authorised appropriately
- Testing of a sample of Council-owned properties to assess whether rental incomes are per the most up-to-date agreement, market value has been assessed, rent is being invoiced and collected in a timely manner, and rental income in the finance system agrees to tenancy schedules
- Confirmation that the process for ensuring asset repairs and maintenance are undertaken in a timely manner. Review of a sample of asset repairs and maintenance undertaken over the last six months
- Review of a sample of oversight reports to confirm performance monitoring is carried out.



AREAS OF STRENGTH

- All assets reviewed in our sample test had been subject to a valuation in accordance with the Council's valuation schedule and had been valued within the past two years. We confirmed that all valuations had been undertaken by the Property Services Managers who is a qualified member of the Royal Institute of Chartered Surveyors
- All rental income receipts reviewed were accurate and agreed to the amount due per the lease agreements. Tenants were issued invoices and in most cases, rent payments were paid within 30 days of the invoice being issued. A spreadsheet with the dates that invoices and payments were received from each tenant to track and chase overdue payments
- Repairs and maintenance payments agreed to invoices and purchase orders in all cases sampled confirming that contractors were paid accurately. All contractors were paid in a timely manner upon receipt of an invoice.



AREAS OF CONCERN

- Repairs and Maintenance** - A log is not maintained to record all repairs and maintenance to the Council's assets meaning that the time taken for repairs/maintenance to an asset from the original request cannot be tracked
- Performance** - Local performance targets are not in place and monitored within the Property Services team and the Property Services Service Plan report to the senior leadership team (SLT) does not include sufficient detail
- Invoice payment** - There were three instances where rental income had not been received within the 30-day credit period. In one of these cases, an invoice of £32,566.35 was still outstanding when audit testing was completed
- Valuations** - There is not a separation of duties in place for asset valuations and there were four instances in our sample of 10 asset valuations where the valuation method was not stated on the asset management system.



VALUE ADDED

- The Council has drafted an Asset Management Plan (AMP), however this was undertaken by staff who have now left the authority and requires a full review and update before it can be put forward for approval. In order to assist with the review and re-write we have benchmarked the Council's previous AMP with 10 other local authorities to identify whether any good practice could be identified and applied to the Council's AMP.

HOMELESSNESS & TEMPORARY ACCOMMODATION

Design Opinion



Moderate

Design Effectiveness



Moderate

Recommendations

0

4

0



SCOPE

AREAS REVIEWED

- Review of the Council's strategy in place to support the prevention of homelessness
- Review of the work programmes/action plans relating to preventing homelessness and supporting individuals or households in need of emergency accommodation to consider if the work programme clearly supports delivery of Gedling Borough Council's commitment to the South Nottinghamshire Homelessness and Rough Sleeping Strategy, actions within the work programme are specific, measurable, achievable, realistic, and timebound (SMART), assigned to clear action owners and are appropriately followed up
- Review of staff capacity and training received to support effective prevention of homelessness
- Review of the arrangements in place to manage the costs relating to homelessness and use of temporary accommodation
- Testing of a sample of cases where the Council has been contacted for support to consider if assessments of needs have been carried out and regularly reviewed
- Testing of a sample of cases where individuals at risk of homelessness made an application for emergency housing and if the Council have met their statutory "main homeless duty"
- Review of management information and evidence of monitoring of key performance indicators relating to the efficacy of the Council's strategies and operational plans for preventing homelessness and supporting individuals or households at risk of immediate homelessness.



AREAS OF STRENGTH

- The Council's work programmes which relate to preventing homelessness and supporting individuals or households in need of emergency accommodation are clear, appropriately detailed and communicated to appropriate officers
- In discussion with staff we found that staff capacity and training offered is sufficient to support the effective prevention of homelessness
- The Council's 'statutory main homelessness duty' was met in all cases examined in this audit
- The Council undertake quarterly budget monitoring meetings with Finance to review the actual spend against budget, in the prevention of homelessness
- The Council are undertaking several schemes to support the prevention of homelessness.



AREAS OF CONCERN

- Strategy** - The South Nottinghamshire Homelessness and Rough Sleeping Strategy (2019-2022) does not currently consider the impact of high local housing costs and how this impacts available private landlord housing stock
- Assessments** - In eight out of 30 cases reviewed we found that the Council had not regularly reviewed a client's assessment of needs
- Bed & Breakfast** - In three out of 10 cases reviewed we found that clients had spent a significant proportion of time in Bed and Breakfast accommodation. The clients had spent 62, 113 and 116 days in Bed and Breakfast accommodation across our sample
- Key Performance Indicators (KPIs)** - The KPIs reported for the prevention of homelessness are not specific to the achievement of the service objectives.



VALUE ADDED

- We compared Council practices to other local authorities to identify best practice which could be put forward to improve the control environment.

REGENERATION - EMPLOYMENT & SKILLS

Design Opinion



Moderate

Design Effectiveness



Moderate

Recommendations

0

1

2



SCOPE

AREAS REVIEWED

- Review of how the priorities/initiatives link in to the achievement of the Gedling Plan. Review of how the initiatives are realised and how further opportunities are identified
- Review of whether each key priority/initiative have action plans to ensure their achievement. Review of the action plans and evaluate if:
 - Outcomes are clear and well-defined
 - Actions are specific, measurable, achievable, realistic and time bound (SMART)
 - Assigned to clear action owners
 - Are appropriately followed up to ensure they are achieved in the timescales set
- Review of the governance structures in place to ensure there is appropriate scrutiny of the progress towards achieving the objectives as set out within the Gedling Plan
- Review of whether the Employment and Skills Group (ESG) has an appropriate terms of reference, meet regularly and reviews progress against objectives and key actions. Evidence outputs delivered and whether these are in line with the Gedling Plan priorities and objectives
- Review of management information and evidence of monitoring and oversight over key performance indicators relating to the effectiveness of each of the initiatives
- Review of how success is measured, including the impact that various initiatives have within the Borough. This also includes reviewing whether the Council has assessed where there may be a future need or a surplus of provision.



AREAS OF STRENGTH

- In order to continue to provide valuable Employment and Skills services, the Council has started to assess where there may be a future need or surplus of provision. This is part of the 'State of Gedling' review, which is being completed by the Economic Growth Manager. This is an economic assessment of the borough to provide a snapshot of each town, particularly in terms of employment and education data
- The Employment and Skills Group (ESG) is co-ordinated by the Council as a platform for external partners to work better together and share information. Due to the impact of COVID-19, the quarterly meetings have been held remotely. This has allowed the group to expand its reach, with more attendees noted at these meetings compared to previous in-person meetings. In addition, the focus of the group has shifted away from over-analysis of statistics with no output, to greater collaboration between partners. We observed the October 2021 meeting which included effective discussions in line with the agenda. This is further reflected in our review of meeting minutes for the previous four meetings.



AREAS OF CONCERN

- Action Plans, Performance Indicators and Oversight** - The Council could make improvements to its governance arrangements, including more regular reporting to the Senior Leadership Team, more detailed action planning and having more measurable key performance indicators
- Lessons Learnt** - Success of the Council's initiatives are not measured regularly with no consistent process in place to review completed work and complete a lessons learned exercise
- ESG terms of reference** - The Employment and Skills Group (ESG) do not have a terms of reference.

SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publication and emerging issues relevant to Local Authorities that may be of interest to your organisation. It is intended to provide a snapshot of current issues for senior managers, directors and members. Topics include Environment, Health, Transport, Housing and Children.

Net zero strategy launched

Prior to COP26, the government has published its strategy to reach net zero carbon emissions by 2050. The strategy sets out four key principles for the transition to net zero. These include the promise to “work with the grain of consumer choice” and “ensure the biggest polluters pay the most for the transition”. It also promises to protect the most vulnerable through measures such as energy bill discounts and efficiency upgrades, and to bring down the costs of low carbon technology through “support for the latest state of the art kit”.

The government announced that the strategy will support up to 440,000 green jobs by 2030 and will deliver at least £1.5bn to support work towards net zero innovation. It also confirms previously announced funding for public transport - including £3bn to improve bus networks, and £2bn to support the ambition that by 2030 most journeys completed in towns and cities are walked or cycled.

The government has also confirmed extensive investment stating that the UK infrastructure bank will enable more than £40m in investment in projects to help the country reach net zero, “crowding in private sector investment in important areas and helping to kick start new sectors”. The bank “will lend to local authorities for strategic and high value projects and invest in projects alongside the private sector”.

The government have assured a coordinated approach, working across local and national government, the devolved administrations, and with businesses and civil society organisations with the establishment of a net zero forum to help bring together central, regional and local government.

Net zero strategy launched | Local Government Chronicle (LGC) ([lgcplus.com](https://www.lgcplus.com))

More central-local co-operation needed to reach net zero, say MPs

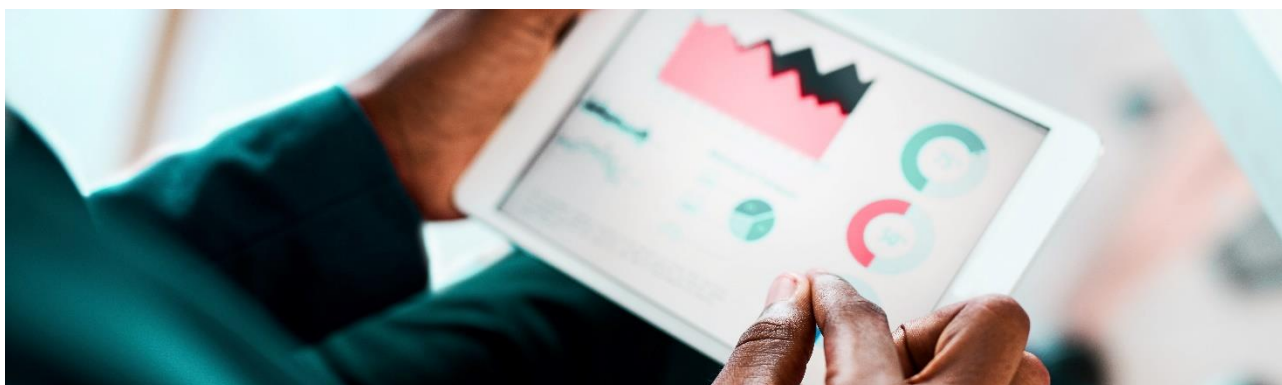
The UK will struggle to reach net zero by 2050 unless there is more cooperation between central and local government, a report from MPs says.

The Housing, Communities and Local Government Committee has released a report (29 October 2021), Local Government and the Path to Net Zero, examining the role of local authorities in tackling climate change. “Local authorities will be particularly important to ensuring a just transition to net zero,” the report states, “since no layer of government is closer to people or better able to tailor climate action to meet the needs of local communities”.

The committee has recommended that the government open a consultation with local government to set out the components of the draft net zero delivery framework. This framework would define the “relative roles and responsibilities of local government” in order to provide more clarity on councils’ roles in tackling climate change. The report also says the local government net zero delivery framework should “clarify the critical role local government must play in delivering a just transition to net zero that benefits all communities”.

The report urges government to create a comprehensive plan to fund local climate action and provide local authorities with long-term assurance and confidence.

More central-local cooperation needed to reach net zero, say MPs | Local Government Chronicle (LGC) ([lgcplus.com](https://www.lgcplus.com))



Contingency plans drawn up to prepare for potential Covid surge

The Local Government Association is considering a contingency 'plan C' for what might happen if there is a Covid spike which the government's own 'plan B' fails to suppress.

The government has said it is not actively considering plans for what might happen if its plan B strategy for tackling a Covid surge - which would enforce mask wearing, physical distancing and ventilation in high-risk settings - fails to reduce cases. However, the LGA is understood to be keen to be on the front foot in preparing for a range of infection scenarios and is drawing up further contingency plans to ensure the sector is as prepared as it can be going into winter.

A senior local government source told LGC: "It is not as simple as a binary plan A, B or C. There are a full range of circumstances. Councils are thinking about contingency plans for what might happen if for example the Covid infection rate in schools shoots up, but in the wider older population it declines. It's just about being ready for a variety of potential outcomes. "Councils shouldn't just be waiting for government and then run round like mad men trying to do it. We should, as we do with emergency planning generally all the time, question how we deal with it. What's the plan A, B, C, D and E?"

Exclusive: Contingency plans drawn up to prepare for potential Covid surge | Local Government Chronicle (LGC) (lgcplus.com)

Sunak details transport spending boost

The chancellor has confirmed a spending boost for transport improvements in England's city regions. In the October 2021 budget and spending review, Mr Sunak said that £5.7 bn of investment over five years will be distributed via what he termed "London-style" city region sustainable transport settlements. These sums will go to projects in eight city regions, including West Yorkshire, Greater Manchester, Liverpool City Region and the Tees Valley. Initiatives set to benefit include the Sheffield Supertram renewal and the Wednesbury to Brierley Hill metro extension in the West Midlands.

A further £2.7bn has been earmarked over the next three years for local roads maintenance in places which have not received city region settlements. And another £2.6bn is available from 2020-2025 to help deliver a long-term pipeline of more than 50 local road upgrades including the A509 Isham Bypass, A259 Bognor Regis and A350 Chippenham Bypass.

The Budget and spending review also includes a £1.2bn bus fund to deliver improved "London-style services, fares and infrastructure improvements" outside of the capital. This is part of a broader £3bn package of investment in buses over the current parliament. Out of this pot, £70m of Zero Emission Bus Regional Areas funding has been allocated to deliver buses and related infrastructure in Warrington, Leicester, Milton Keynes, Kent, and Cambridgeshire and Peterborough.

The Budget and spending review also confirms over £2bn of investment in cycling and walking over the Parliament, which will be used to build hundreds of miles of bike lanes and other facilities to improve cyclists' safety.

In his Budget speech, Mr Sunak said the government will be investing totals of £21bn on roads and £46bn on railways.

Sunak details transport spending boost | Local Government Chronicle (LGC) (lgcplus.com)

85% rise in funds to end homelessness and rough sleeping

The government will increase annual resource funding for ending homelessness and rough sleeping by 85% by 2024-2025, the chancellor of the exchequer has announced.

In his autumn budget and spending review speech in October 2021, the chancellor announced that government spending on homelessness and rough sleeping would rise to £639m per year. This will see the total funding provided by the government for ending homelessness and rough sleeping to £1.9bn by 2025.

The funds will go towards funding the Rough Sleeping Initiative, which is led locally and used to help rough sleepers into stable accommodation and to rebuild their lives. It will also contribute to the delivery of 6,000 homes as part of the government's Rough Sleeping Accommodation Programme, which sets out housing pathways to help people into longer-term accommodation.

85% rise in funds to end homelessness and rough sleeping | Local Government Chronicle (LGC) (lgcplus.com)

Demand grows for children's mental health support as council provision falls

Demand for mental health support from vulnerable children has drastically increased during the pandemic, research by the House of Lords Public Services Committee has found. Meanwhile, separate figures show that councils' workforces for young people's mental health services have fallen 44% since 2018.

The committee's survey of councils, charities and other organisations supporting vulnerable children found that since March 2020 nine in ten have reported a rise in the number of children seeking help with mental health issues.

And 86% of services said that the mental health issues experienced by children already receiving support had worsened.

There has also been an increase in the number of children and families seeking support due to domestic violence and parental addiction. 66% of services said domestic violence faced by partners at home among the families and children already receiving support had become more severe. Around two thirds said that they had seen an increase in the number of children and families requesting help due to domestic violence, and half indicated an increase in the severity of parental issues in families already receiving support.

Anntoinette Bramble (Lab), chair of the Local Government Association's children and young people board, said the drop in councils' CYPMH workforce "is extremely concerning at a time when the number of people aged under 18 referred to mental health services soared by more than 130 per cent between April and June alone this year".

"Local authorities need properly resourcing to take a lead role in mental health to help government build back better, particularly as mental health specialists are one of the biggest recruitment challenges for councils. This means being treated as more of an equal partner to the NHS in improving mental health and getting enough funding to help people in need of support in their communities," she added.





[Demand grows for children's mental health support as council provision falls | Local Government Chronicle \(LGC\) \(lgcplus.com\)](#)

KEY PERFORMANCE INDICATORS

Audit Area	Rate our understanding of the Business	Rate our communication	Rate the audit's contribution to adding value	Overall audit experience	Would you recommend BDO to others?	Any further comments
Asset Management						No feedback received
Risk Maturity	4	5	5	5	Yes	
Housing Benefits						No feedback received
Homelessness	4	5	4	4	Yes	
Employment & Skills						No feedback received
Taxi Licensing						No feedback received
Average	4/5	5/5	4.5/5	4.5/5	Yes	

APPENDIX I - DEFINITIONS

OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial 	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate 	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited 	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No 	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

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GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

TAXI LICENSING
DECEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	4
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DISTRIBUTION

Alison Ball	Director of Corporate Resources
Paul Adcock	Head of Finance and IT
Melvyn Cryer	Head of Environment
Kevin Nealon	Community Protection and Pollution Control Manager

REPORT STATUS LIST

Auditors:	James Savigar
Dates work performed:	15 March - 1 June 2021
Draft report issued:	8 June 2021
Final report issued:	1 December 2021

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I FOR DEFINITIONS)

High	0
Medium	2
Low	1

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

The Council is responsible for the licensing and enforcing of hackney carriages and private hire vehicles under the Town & Police Clauses Act 1847, the Local Government (Miscellaneous Provisions) Act 1976 & Transport Act 1985. It has set public safety as paramount importance in respect of the taxi service.

Any vehicle which can carry up to 8 paying passengers must be licensed as must the driver and the operator. Applicants must apply for a license and meet basic requirements of being at least 21 years old and a holder of a full EU driving license. There are a number of additional checks that must also be undertaken including an enhanced Criminal Records Bureau, Group 2 medical test, DVLA checks and driver competence tests.

The Council sets out its controls for processing applications, granting licenses and completing vehicle inspections in its Statement of Policy and Guidelines for the Licensing of Hackney Carriage Drivers, Private Hire Drivers and Private Hire Operators and the Gedling Borough Council Licenses Hackney Carriage & Private Hire Vehicle Specification, Inspection and Testing Manual which can be found on the Council website.

Between the period of 1 April 2019 and 30 October 2020 the Council booked 2,838 vehicle inspections and as per the Council's statutory submission to the Department for Transport there were 686 taxis licensed to the Council as of 31 March 2020.

GOOD PRACTICE:

- The Council met its statutory requirement to submit its annual return to the Department for Transport setting out its key taxi license data, including the number of licensed vehicles and its vehicle specification policies
- The Council carries out multi-agency enforcement operations on a quarterly basis where they conduct spot-checks on vehicles to identify any potential faults which have not been addressed by drivers, potentially leading to the suspension of licenses where appropriate

- There is a comprehensive checklist in place for Licensing Officers to use when completing the review of license applications to ensure all evidence required to approve an application has been received and verified
- There is a documented Taxi License Process Flowchart which clearly sets out the steps required during the application review process, who is responsible for each of these steps and when the application is required to be escalated to the Environment & Licensing Committee or the Complaint Application Review Panel.

KEY FINDINGS:

- There is insufficient evidence obtained and recorded during vehicle inspections carried out by the Council to substantiate the results of the inspection and no documented review process (Finding 1 - Medium)
- There is a lack of management reporting taking place within Licensing to monitor the service's performance, eg covering number of licenses processed and vehicles inspected (Finding 2 - Medium)
- The license application review checklist completed by Officers when assessing a driver's application has not been updated to incorporate the checks carried out against the National Anti-Fraud Network (NAFN) database. Furthermore, there is no evidence uploaded to the Uniform system to verify the result of the check and the Council has not yet implemented processes to contribute to the database (Finding 3 - Low).

CONCLUSION:

Overall, we identified three findings relating to the Council's taxi licensing controls. We found that the Council has clearly communicated responsibilities for its licensing staff and robust policies in place to communicate its processes for obtaining licenses to the public. We also found that the Council was engaging with other agencies in the area including the Police and other Local Authorities to inspect vehicles to identify any unreported faults which may require enforcement action. However, we found a lack of controls to evidence the results of vehicle inspections carried out by the Council and insufficient evidence was recorded on Uniform to substantiate the results of checks against the NAFN database carried out during assessment of the driver license applications. We also identified a lack of management reporting within Licensing. As such we have concluded on moderate assurance over the control design and moderate assurance over the control effectiveness.

DETAILED FINDINGS

RISK: INACCURATE/INCOMPLETE RECORDS AND EVIDENCE TO SUPPORT APPLICATIONS AND RENEWALS INCLUDING INADEQUATE APPROVAL

Ref	Significance	Finding
1	Medium	<p>Before a License is granted in respect of a Hackney Carriage or Private Hire vehicle, the applicant must ensure that the vehicle is suitable in type, size and design for use as a Hackney Carriage or Private Hire vehicle in accordance with the standards laid down by the Council in the 'Gedling Borough Council Licensed Hackney Carriage & Private Hire Vehicle Specification, Inspection and Testing Manual.'</p> <p>The Council enforces this by undertaking vehicle inspections every six months on vehicles seeking licenses. During the six monthly inspection the mechanic completes an inspection checklist to document the tests completed and whether the vehicle has passed or failed. If the vehicle passes the inspection and the owner is able to produce a valid MOT certificate, insurance certificate, proof of ownership and a taxi meter calibration certificate then the vehicle can be granted a further six-month license. Vehicles that are less than one-year-old and have travelled less than 36000 miles can be granted an extended license for one year as opposed to six months.</p> <p>We reviewed a sample of 20 documented vehicle inspections between May 2020 and March 2021 to determine whether there was sufficient evidence to show the vehicle had passed the inspection and was suitable to be granted a license.</p> <p>Our review found that although the inspection checklist was being completed in all instances to document the result of each inspection in the sample, there was no further evidence to support the results in the form of photographs or videos uploaded to the Uniform file. Additionally, there is no requirement to have the inspection result reviewed or verified by a team lead or manager to substantiate the documented result, and this was found not to take place across the entire sample. Our discussions with management confirmed that there is no subsequent layer of approval following an inspection to grant a license prior to the driver collecting their plates from customer services.</p> <p>Unless there are strict criteria in place for obtaining evidence of inspection results and ensuring this evidence meets the criteria set out in the Council's Vehicle Specification there is a risk of inappropriate vehicles gaining a license to operate as a Hackney Carriage or Private Hire Vehicle.</p>

RECOMMENDATION:

1. Update the vehicle inspection checklist used by workshop mechanics when documenting the vehicle inspections by adding in a comments section against each checklist criteria where the mechanic is required to provide a detailed narrative of what was identified during the inspection to substantiate the result. Following each inspection, the checklist should be reviewed and approved by a supervisor to confirm the checklist has been completed to a sufficient standard.

MANAGEMENT RESPONSE:

The form alteration is acceptable and we will arrange for this to take place.

A supervisor/manager will spot check the forms on an 'ad hoc' but pre planned scheduled basis.

Responsible Officer: Melvyn Cryer - Head of Environment

Implementation Date: March 2022

RISK: INADEQUATE/INEFFECTIVE MANAGEMENT INFORMATION IRREGULARLY REPORTED AND NOT ACTED UPON

Ref	Significance	Finding
2	Medium	<p>In order for management to effectively monitor activity relating to taxi licensing it is important for regular management information to be produced and disseminated to management, including details on applications processed, vehicles inspected and enforcement action taken as a minimum. This information can then be used by the management team to inform decision making.</p> <p>Our testing identified that there is no systematic reporting of robust management information which collates the important performance metrics such as the following:</p> <ul style="list-style-type: none"> • The number of licenses current in place • The number processed in the month • The percentage of applications approved compared to the number received • The number of vehicle inspections completed • The percentage of vehicles passing inspections compared to the number of completed inspections • The number of complaints received • The number of complaints substantiated • What action was taken as a result of substantiated complaints • The number of licenses revoked. <p>Whilst we found that managers will request reports on an ad hoc from staff, these would only include basic information such as a single metric (complaint investigations during a period for example) and would not be produced on a regular basis. There is a weekly update produced by the Licensing Technical Admin Assistant but this again only produces basic information on current outstanding work and produces it in a written email format which does not facilitate comparison of trends over a period.</p> <p>This increases the risk of decisions made by management not being supported by the available data and key information not being reported for actions to be identified and assigned to areas for improvement.</p>

RECOMMENDATION:

Monthly management reporting should be established for all basic licensing information including metrics such as those detailed in the finding above.

The service should determine which of these metrics is most important in terms of monitoring its performance and should set key performance indicators for these metrics, monitoring its performance against each of these in the management reports, including the trend from previous months.

MANAGEMENT RESPONSE:

Yes this would be useful to have information passed to management reporting on the metrics contained in the report as it could inform and allow for better decision making.

Responsible Officer: Kevin Nolan - Community Protection and Pollution Control Manager

Implementation Date: March 2022

RISK: INACCURATE/INCOMPLETE RECORDS AND EVIDENCE TO SUPPORT APPLICATIONS AND RENEWALS INCLUDING INADEQUATE APPROVAL

Ref	Significance	Finding
3	Low	<p>In order to operate a Hackney Carriage or Private Hire Vehicle a driver must first apply to the local authority to obtain a license. Once received the Customer Services team engage with the applicant to ensure all supporting information is obtained to process the application and the license fee is paid, at which point the application is passed to the Licensing team. The Licensing team then review the evidence to determine whether the applicant could be deemed a 'fit and proper person'. This includes the Officer completing a check against the National Anti-Fraud Network database to identify whether there is a record of the applicant having previously had a license revoked or denied by another authority which may not appear on DBS checks. If the evidence suggests the applicants status as a 'fit and proper person' is in doubt, then the application is referred to the Environment & Licensing Committee and/or the Complaint Application Review Panel.</p> <p>The license application and supporting evidence is documented on the Council's Uniform system, along with a checklist completed by the Licensing Officer assessing the application which records the completion of the checks required by the Taxi Licensing Process Flowchart. We reviewed a sample of 15 applications over the period from March 2019 to March 2020 to determine whether there was sufficient evidence to support a license being granted.</p> <p>From our review we identified that the application checklists used by the Officers are currently outdated as they have not been revised to include a specific section to document the completion of the checks against the NAFN database, with all 15 of the applications reviewed documenting these checks in the comments section of the application by writing 'NAFN ok'. There is no further evidence of the completed check attached to the applicant's Uniform file to verify the result.</p> <p>Furthermore we identified that the Council does not yet fully engage with the NAFN process. Whilst it uses the database to perform checks against information uploaded by other authorities during the application review process, it does not contribute to the database by uploading instances where it has refused or revoked licenses.</p> <p>Unless there is sufficient documentation and evidence to support the completion of checks against the NAFN database, as well as sufficient contribution to the database by the Council, there is an increased risk of licenses being awarded to individuals who would not be deemed a 'fit and proper person.'</p>

RECOMMENDATION:

1. Update the application review checklist to include a specific section to record the result of the check of the NADN database.

2. When completing the check against the NAFN database take a screenshot of the search result to confirm no records have been identified which impact the applicants 'fit and proper person' status and upload these screenshots to the Uniform file.

3. Implement processes to begin contributing to the NAFN database by uploading any instances of license refusals or revocations.

MANAGEMENT RESPONSE:

For background information on this NAFN was made available to Licensing Authorities some time ago so that checks could be made with other Council's where a driver held a licence and that driver had been refused or revoked a licence or where there were other concerns. LA's are required to pay this service and it is used in other areas of the Council. Legal advice was sort about the use of it with regard to data sharing and signatories as well as incorporating it in the application process which needs to be consulted on and it was felt appropriate to include this in the Taxi Standards consultation which is due later this year.

Previous service managers indicated that they were happy for us to use it for checking applicants based on the level of agreement in place which officers have been doing this.

So to confirm my comments on the recommendations:

1. This has not been formally adopted by the Authority as a check for applicants. It is being incorporated in the Taxi Standards changes. The checklist will be updated then.
2. This will be incorporated when NAFN checks are adopted and the driver's record will be updated to reflect this.
3. This will be implemented when NAFN checks are adopted.

Responsible Officer: Kevin Nealon - Community Protection and Pollution Control Manager

Implementation Date: March 2022

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Alison Ball	Director of Corporate Resources
Kevin Nealon	Community Protection and Pollution Control Manager
Paul Gibbs	Licensing Officer
Nic Bond	Customer Services Manager
Steve Fewkes	Workshop Operations Manager
Melvyn Cryer	Head of Environment
Brendan Cox	Scientific Officer - Public Protection
Andrea Snodin	HR & Training Manager

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

The purpose of the audit was to provide assurance over the design and operating effectiveness of key controls in place over taxi/vehicle licensing.

KEY RISKS:

- Inadequate strategy or policy in place not setting our protocols and/or is unapproved
- Ill-defined roles and responsibilities which are ineffective
- Inaccurate/incomplete records and evidence to support applications and renewals including inadequate approval
- Inadequate safeguarding arrangements leading to licenses being wrongly awarded and/or poorly monitored
- Ineffective enforcement as it is not targeted appropriately and/or effective
- Inadequate arrangements over complaints and appeals
- Inadequate/ineffective management information irregularly reported and not acted upon

SCOPE OF REVIEW:

- Taxi and PHV Policy in place, including the checks which need to be undertaken to ensure a person is “fit and proper,” which is reviewed on a regular basis and approved by the Licensing Committee.
- Procedures are documented
- Testing of applications to verify that they are received and reviewed in a timely manner
- Appropriate evidence is retained to demonstrate completion of checks and basis for decision. Including for each applicant:
 - details
 - that all required checks have been undertaken
 - assessment of each case with a decision recorded
 - date of expiration including follow-up
 - revoking and cancelling invoices.
- Officers’ roles and approval ability are clearly identified through job descriptions and operational processes.
- Officers who approve applications have been licensed and therefore evidence to prove they have the skill set for completion of their role in the team.
- Policy in place covering “fit and proper” person standards, evidenced through testing
- Testing to ensure that a full record of applications is maintained clearly evidencing the safeguarding checks on individuals has been undertaken.
- Links in place with appropriate agencies to help identify relevant convictions which occur during the life of a license.
- Enforcement targeted to areas of known risk.
- Enforcement activity evidenced and complies with legislation
- Complaints are acknowledged within 3 days and appropriate progress communicated to applicants
- Investigations are undertaken, evidenced and outcomes communicated to applicants.

- Once investigation completed appropriate action is taken on a timely basis
- Testing to ensure that the processing of applications and decision-making is captured and reported appropriately with relevant action taken
- Statutory reporting data, as required, is validated and reported in a timely manner.

FOR MORE INFORMATION:

Greg Rubins

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT - FINAL

ASSET MANAGEMENT
OCTOBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	5
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DISTRIBUTION

Joelle Davies	Head of Regeneration & Welfare
Emma Wimble	Property Services Manager

REPORT STATUS LIST

Auditors:	Helena Warnett & Max Armstrong
Dates work performed:	19 July - 10 August 2021
Draft report issued:	20 August 2021
Final report issued:	27 October 2021

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	1
Low	3

TOTAL NUMBER OF RECOMMENDATIONS: 4

CRR REFERENCE

Risk 6: Failure to protect and utilise physical assets.

BACKGROUND

Strategic asset management is the activity that seeks to align the asset base with the organisation's corporate goals and objectives. It ensures that the land and buildings asset base of an organisation is optimally structured in the best corporate interest of the organisation concerned. Managing property assets requires co-ordination with all parts of the organisation to be successful and in order that the most effective space is delivered.

As detailed within the RICS Public Sector Asset Management Guidelines (2nd edition), organisations practicing property asset management disciplines will (not an exhaustive list):

- Prioritise property asset management at a senior level and install a senior executive as property asset 'champion'
- Link the property asset management plan to the corporate vision and policies
- Link property asset management with all corporate strategies and work across internal and external organisational and authority boundaries to appropriately align all property asset management strategies to produce aligned partnership asset strategies where appropriate
- Consider all practical options for financing of new property assets
- Ensure that mechanisms are in place to measure customer satisfaction
- Collect, analyse, store and keep updated all relevant property asset data
- Conduct post-implementation reviews of all capital projects
- Engage with other organisations and share learning to drive a process of continuous improvement.

Gedling Borough Council (the Council) has a diverse portfolio of assets (made up of land and

buildings) ranging from community centres, parks and open spaces serving the residents of the borough, through to commercial and investment property, providing an income to the Council and accommodation for small local businesses.

The Council has drafted an Asset Management Plan (AMP). However, this was undertaken by staff who have now left the authority and requires a full review and update before it can be put forward for approval. Events such as Covid-19, Council restructures and other staffing priorities means that the Council have been unable to review the draft AMP and progress this any further to date. However, it is anticipated the AMP will be reviewed and refreshed over the next six to 12 months and will be the framework for the review and management of existing and future assets.

The Council's balance sheet should accurately reflect the value of its fixed assets. The Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020/21 (the Code) and the Royal Institution of Chartered Surveyors (RICS) Valuation - Professional Standards January 2020 (the Red Book) set out the requirements that must be followed to meet this objective. An assessment of asset condition determines investment required over the life of the asset to ensure they continue to be fit for purpose in service delivery.

Assets are valued biennially by the Property Services Manager who is a member of RICS. All revalued assets are then notified to the finance team who will update the accounting records to reflect the accurate value of all assets.

We enquired about processes in place to ensure assets are valued accurately, rental income is collected from tenants leasing the Council's assets, repairs and maintenance is undertaken on the assets in a timely manner and that KPIs are in place and reported to management. We tested a sample of 10 asset valuations, 10 repairs/maintenance and 10 rental income payments to assess the effectiveness of the controls in place.

GOOD PRACTICE

The following areas of good practice were identified:

- All assets reviewed in our sample test had been subject to a valuation in accordance with the Council's valuation schedule and had been valued within the past two years. We confirmed that all valuations had been undertaken by the Property Services Managers who is a qualified member of the Royal Institute of Chartered Surveyors
- All rental income receipts reviewed were accurate and agreed to the amount due per the lease agreements. Tenants were issued invoices and in most cases (with exceptions noted in Finding 3), rent payments were paid within 30 days of the invoice being issued. A spreadsheet with the dates that invoices and payments were received from each tenant to track and chase overdue payments
- Repairs and maintenance payments agreed to invoices and purchase orders in all cases sampled confirming that contractors were paid accurately. All contractors were paid in a timely manner upon receipt of an invoice.

KEY FINDINGS

- **Performance** - Local performance targets are not in place and monitored within the Property Services team and the Property Services Service Plan report to the senior leadership team (SLT) does not include sufficient detail (**Finding 1 - Medium**)
- **Repairs and Maintenance** - A log is not maintained to record all repairs and maintenance to the Council's assets meaning that the time taken for

repairs/maintenance to an asset from the original request cannot be tracked (**Finding 2 - Low**)

- **Invoice payment** - There were three instances where rental income had not been received within the 30-day credit period. In one of these cases, an invoice of £32,566.35 was still outstanding when audit testing was completed (**Finding 3 - Low**)
- **Valuations** - There is not a separation of duties in place for asset valuations and there were four instances in our sample of 10 asset valuations where the valuation method was not stated on the asset management system (**Finding 4 - Low**).

ADDED VALUE

As detailed within the introduction the Council has drafted an Asset Management Plan (AMP), however this was undertaken by staff who have now left the authority and requires a full review and update before it can be put forward for approval. In order to assist with the review we have benchmarked the Council's previous AMP with 10 other local authorities to identify whether any good practice could be identified and applied to the Council's AMP.

We have identified four key differences and included the results within the observation section of this report.

CONCLUSION

There have been recent departures within the Property Services team which has led to the Council revising its AMP. Whilst we identified some omissions in the previous AMP, our benchmarking found that in general the Council's AMP was consistent with other local authorities' asset management plans.

Where repairs and maintenance took place, contractors were paid accurately and promptly. However, a log was not maintained to record all repairs/maintenance requests. Local performance reporting was conducted informally and reporting to the SLT was weak with inadequate updates provided to the SLT on the implementation of the KPIs established in the Property Services Service Plan 2021-22. Although payments from tenants were generally received within the Council's credit terms, our sample test noted some exceptions.

We have concluded that there is moderate assurance over both the design and the operational effectiveness of the Council's asset management processes.

DETAILED FINDINGS

RISK: THERE IS INADEQUATE OR INEFFECTIVE SCRUTINY OF MANAGEMENT INFORMATION, LEADING TO POOR PERFORMANCE THAT IS NOT CHALLENGED

Ref	Significance	Finding
1	Medium	<p><u>Performance</u></p> <p>The Property Services Manager monitors the performance of the Property Services team on an ongoing basis and has access to the systems used by both the Estates team and the Building Services team to ensure she is aware of any issues. Furthermore, the Manager meets bi-weekly with each team to have an informal discussion about any issues and a wider Property Services team meeting each month. However, there are no reports provided at these meetings to monitor the key performance indicators (KPIs) of each team.</p> <p>There are a series of KPIs which are submitted to the Senior Leadership Team (SLT) and the Scrutiny Committee for review each quarter. These monitor the performance against the KPIs set out in the Property Services Service Plan and are higher level KPIs for asset management more widely, eg 'COM21.2.1 Review the long term sustainability of community centres as part of the asset management plan'.</p> <p>However, we reviewed the Property Services Service Plan report for Q1 2021/22 and noted that whilst the format of the report is adequate and allocates each of the KPIs to a specific officer and has an implementation date, there was a lack of detail in the 'Progress' and 'Latest Note' columns of the report. In all cases the Action Progress Bar was at 0%. We were informed that due to the recent restructure the responsibility for writing the reports has changed and this has resulted in them being incomplete. It is anticipated this will be resolved by the quarter two return.</p> <p>There is a risk that inadequate performance is not identified and addressed if reporting at a local level and organisational level is not sufficiently detailed.</p>

RECOMMENDATION

- A. A series of KPIs) should be agreed by the Property Services team and reported in a formal report each month to the Property Services Manager, for example:
- % rental income from Council properties received within 30 days
 - Value of outstanding rental income
 - % repairs completed within a specified number of days from the original request
 - % of projects where cost is within +/- 5% of the estimated outturn
 - % of projects falling within +/- 5% of the estimated timescale
 - Customer satisfaction levels are above XX%
 - % split between planned and responsive maintenance.

The Council should ensure that all Property Services Service Plan reports include a progress update against each KPI to ensure the SLT are aware of the progress being made against each of the measures. This should include some narrative in the report to explain the actions undertaken towards the completion of KPIs.

MANAGEMENT RESPONSE

Agreed.

Responsible Officer: Emma Wimble

Implementation Date: 31 March 2022

RISK: ASSET REPAIRS AND MAINTENANCE ARE PROCESSED INEFFECTIVELY OR NOT IN LINE WITH COUNCIL PROCEDURES, LEADING TO POOR CONDITION OF ASSETS, WHICH COULD LEAD TO A DECREASE IN VALUE OF COUNCIL ASSETS

Ref	Significance	Finding
2	Low	<p><u>Repairs and maintenance</u></p> <p>Requests for repairs or maintenance to the Property Services team are usually received verbally or via email. When a request is received the Property Services team will assess the urgency of the matter. A purchase order is raised on the Agresso system which will automatically be transferred to the Property Services Manager to approve. Once the purchase order has been approved the Property Services team will contact a contractor to complete the work, utilising a formal list of approved contractors. In the event of an emergency repair, the Property Services team have the flexibility to request the work from the contractor before the purchase order has been approved.</p> <p>Requests for property repairs are received on an ad hoc basis. We were informed that the Property Services team do not have a portal or a log to record all repairs and maintenance requests. Therefore, in our sample test of six asset repairs and four asset maintenance payments we were unable to confirm whether the repairs and maintenance work were completed in a timely manner.</p> <p>This is a low risk as repairs and maintenance work is for example: removal of carpet, fire alarm maintenance, fitting new locks, changing a florescent light tube.</p> <p>Inadequate recording of requests could lead to delays in repair requests being actioned resulting in damage to Council-owned buildings.</p>

RECOMMENDATION

The team should review whether a log should be created for all repairs and maintenance requests that are received in order to allow a centralised record. This could be maintained on an Excel spreadsheet and contain the following information:

- Date and person by whom the request was received from
- Contractor allocated to the work
- Date the work was completed by the contractor
- Cost of the repairs/maintenance.

MANAGEMENT RESPONSE

We do not see the need to record repairs and maintenance requests due to these mainly relating to a request to change a fluorescent light or refill a hand gel machine. What we do agree with is that in the absence of a proper property database which records building repairs, service inspections etc that a spreadsheet would then be beneficial to the Council.

Responsible Officer: Emma Wimble

Implementation Date: 31 December 2021

RISK: RENTS ARE NOT ADEQUATELY CONTROLLED, DOCUMENTED AND COMPLETED IN AN APPROPRIATE AND TIMELY MANNER

Ref	Significance	Finding
3	Low	<p><u>Invoice payment</u></p> <p>The Council lease out several properties to tenants who pay rent monthly, quarterly or annually depending on the terms of the lease agreement. Payment terms are 30 days from the invoice date. Tenants either set up a direct debit for the rental payment or pay the Council upon receipt of the invoice.</p> <p>We tested a sample of 10 invoices issued to tenants by the Council between April and July 2021 and found:</p> <ul style="list-style-type: none"> • There was one instance where the tenant was issued an invoice for £32,566.35 on 1 July 2021 which had not been paid as at 5 August 2021, thereby exceeding the payment terms • There were two instances where the tenant paid the invoice one and 18 days later than the payment terms. <p>It is acknowledged that a more flexible approach to the 30 day payment term has been taken throughout the Covid-19 period.</p> <p>There is a risk that the Council are not able to recover the rent due from tenants leading to irrecoverable debt.</p>

RECOMMENDATION

The Estates team should be reminded to communicate with tenants that have not paid within the 30-day payment term to ensure that monies can be recovered in a timely manner. If certain tenants consistently fail to pay rent on time then formal debt collection procedures should be initiated by the Accounts Receivables team and these should be communicated with the Estates team.

MANAGEMENT RESPONSE

Agreed.

Responsible Officer: Emma Wimble

Implementation Date: 31 December 2021

RISK: ASSETS ARE INACCURATELY VALUED BASED ON CHANGES TO THE CONDITION OF THE PROPERTY AND THERE IS INADEQUATE RECORDING OF CHANGES IN VALUE, LEADING TO AN INACCURATE UNDERSTANDING OF THE COUNCIL'S FIXED ASSETS

Ref	Significance	Finding
4	Low	<p><u>Valuations</u></p> <p>The Council revalue each of their assets biennially on an alternating cycle, ie some will have been revalued in 2017 and then 2019 with others revalued in 2018 and then 2020. Revaluations are all undertaken by the Property Services Manager who is a member of the Royal Institute of Chartered Surveyors (RICS). The current Property Services Manager was appointed to the role in April 2021 so all valuations prior to this were conducted by their predecessor.</p> <p>There are currently 113 assets on the Council's asset list.</p> <p>We were informed by the Property Services Manager that valuations are not reviewed and then authorised by a different officer.</p> <p>This could lead to inaccurate valuations due to a lack of a review process and result in an over or understatement in the value of individual and collective assets held by the Council.</p>

RECOMMENDATION

1. Staff involved in the valuations should be reminded to state the valuation method used within their valuation report and on the property management system
2. The Council should introduce a review process for revaluations of assets. We understand that the Council only have one qualified surveyor (the Property Services Manager) who undertakes the valuation, so the approval/authorisation could be used as a method of process of senior officers confirming that the agreed process has been followed for each property. This approval should be undertaken by a more senior member of staff.

MANAGEMENT RESPONSE

Agreed.

Responsible Officer: Joelle Davies (Mike Hill in her absence)

Implementation Date: Next round of valuations (31 December 2021)

OBSERVATIONS

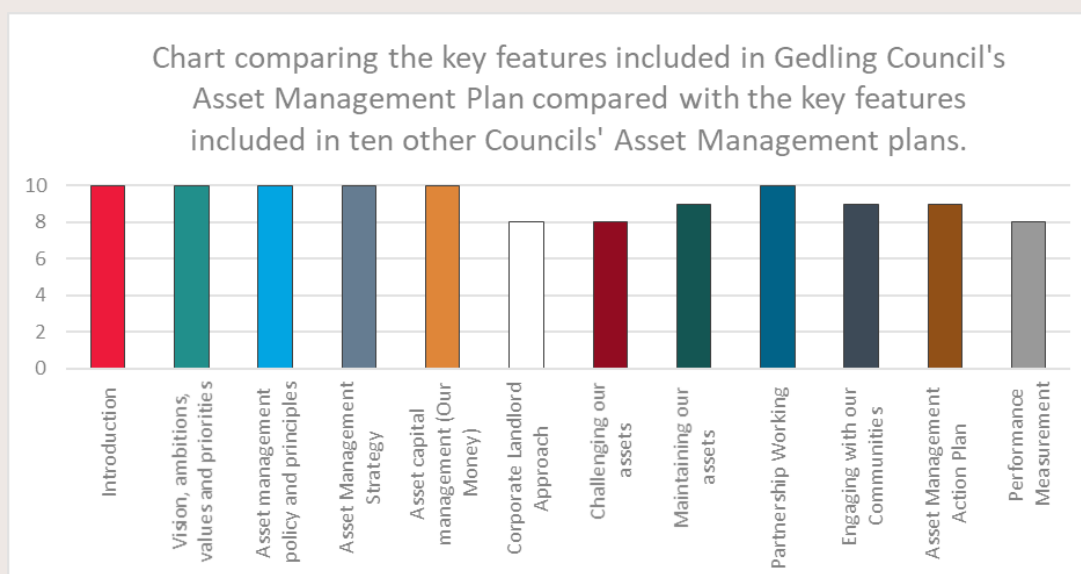
ASSET MANAGEMENT PLAN - BENCHMARKING

The purpose of benchmarking is so an organisation can gain an independent perspective about how well they perform compared with other organisations. We carried out a strategic benchmarking exercise which compared the Council's AMP to the following Council's AMPs:

- Aberdeenshire Council
- Cumbria County Council
- Derbyshire County Council
- Eastleigh Borough Council
- Kent County Council
- Mid Devon District Council
- Rushcliffe Council
- Solihull Council
- North Ayrshire Council
- Sussex County Council.

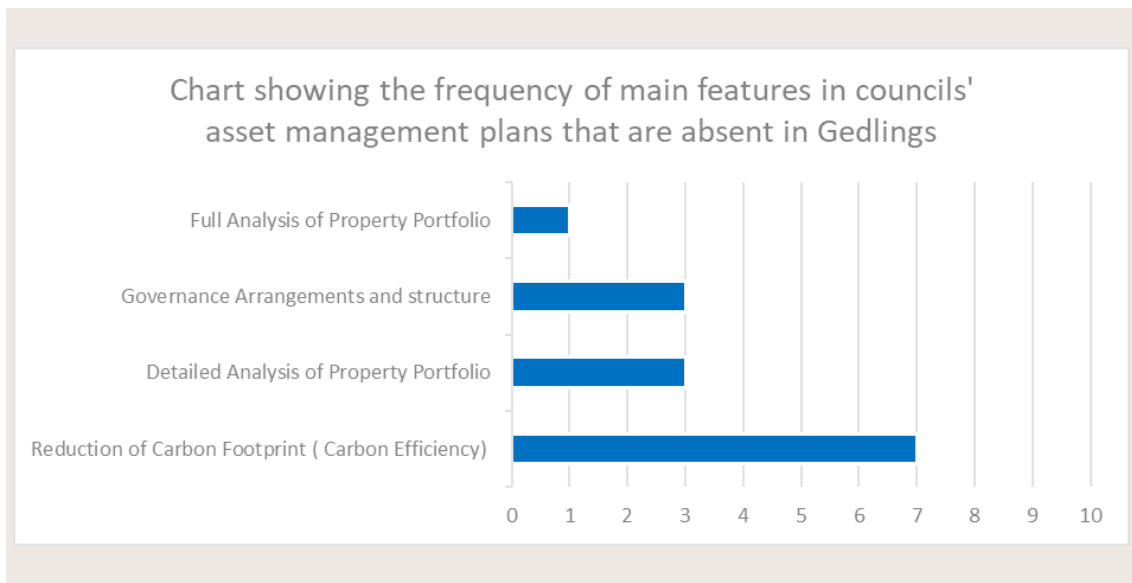
We identified the following results:

The main sections within Gedling Borough Council's current draft AMP were compared with the 10 other Council's AMPs as detailed above. The graph below shows that the sections included within the current draft are also included in 8-10 of those we benchmarked against.



The graph below shows that there are four sections included in other Council's AMPs that are not currently included in the Council's draft AMP:

- Reduction of Carbon Footprint (Carbon Efficiency)
- Detailed Analysis of Property Portfolio
- Governance Arrangements and structure
- Full Analysis of Property Portfolio.



STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Christine Pitcher	Building Services Officer
Emma Wimble	Property Service Manager
Joelle Davies	Head of Regeneration & Welfare
Sue Wass	Estates Technical Officer

APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW

To review and assess whether assets are managed effectively and valued correctly. We will also review whether rent reviews assess market value to ensure the Council is getting the most out of its assets.

We will benchmark the current draft of the Gedling AMP against other local authorities and assess where there may be gaps to consider. In addition it will aim to identify areas of best practice that can be utilised when reviewing and re-drafting the AMP.

KEY RISKS

- Asset management is not prioritised at a senior level and there is no senior executive as property asset ‘champion’
- Assets are inaccurately valued based on changes to the condition of the property and there is inadequate recording of changes in value, leading to an inaccurate understanding of the Council’s fixed assets
- Rents are not adequately controlled, documented and completed in an appropriate and timely manner
- Asset repairs and maintenance are processed ineffectively or not in line with Council procedures, leading to poor condition of assets, which could lead to a decrease in value of Council assets
- There is inadequate or ineffective scrutiny of management information, leading to poor performance that is not challenged.

SCOPE OF REVIEW

The following areas will be covered as part of this review:

- Ascertain whether asset management is prioritised at a senior level and whether a senior officer has been identified as the Council’s property asset ‘champion’
- Review how asset valuations are determined at the Council. Review a sample of Council-owned properties to:
 - Ensure that valuations are carried out in line with defined requirements
 - Ensure there are appropriate authorisations for changes in value and are supported by appropriate evidence.
- Review a sample of Council-owned properties to assess whether rental incomes are per the most up-to-date agreement, market value has been assessed, rent is being invoiced and collected in a timely manner, and rental income in the finance system agrees to tenancy schedules
- Ascertain the process for ensuring asset repairs and maintenance are undertaken in a timely manner. Review a sample of asset repairs and maintenance undertaken over the last six months
- Review a sample of oversight reports to confirm performance monitoring is carried out.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT - FINAL

HOMELESSNESS AND TEMPORARY ACCOMMODATION
DECEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY	2
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DISTRIBUTION

Mike Hill	Chief Executive
Paul Whitworth	Housing and Welfare Support Manager

REPORT STATUS LIST

Auditors:	Helena Warnett
Dates work performed:	13 September - 26 September 2021
Draft report issued:	21 October 2021
Final report issued:	01 December 2021

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non compliance with some controls, that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	4
Low	0

TOTAL NUMBER OF RECOMMENDATIONS: 4

CRR REFERENCE

10 - Failure to maintain service standards, customer satisfaction and/or meet customer expectations

BACKGROUND

The Housing Act 1996, Homelessness Act 2002, and the Localism Act 2002 place statutory duties on Local Authorities relating to homelessness. As such the Council is required to ensure that advice and assistance is provided (free of charge) to households who are homeless or threatened with homelessness. Where the authority is satisfied that an applicant is eligible for assistance, unintentionally homeless and falls within a specified priority need group, Local Authorities also have a 'main homelessness duty' to ensure that suitable accommodation is available for the applicant and his or her household. Local Authorities are also required to have a strategy for prevention of homelessness which applies to everyone at risk of homelessness (not just those with a priority need), and are encouraged to relieve homelessness and to record the cases of homelessness.

Gedling Borough Council addresses the prevention of homelessness through the Gedling Housing Delivery Plan and also works with other bodies as part of the South Nottinghamshire Homelessness and Rough Sleeping Strategy (Refresh 2019-21).

The Housing Needs Section at the Council provides a free service for people seeking advice and support with their housing and offer assistance to individuals faced with homelessness. Applications can be made for help with emergency accommodation, available to people who are homeless or threatened with homelessness within 56 days.

Gedling Council are currently in consultation with Broxtowe Borough Council and Rushcliffe Borough Council to devise a new homelessness and rough sleeping strategy, to replace the current Strategy that ends in 2021.

The Council are also in the process of drawing up a framework for temporary accommodation to ensure improved standards and availability of temporary accommodation. The aim of the framework is to get best value for the Council with nightly accommodation, and also to ensure applicants have the best and most suitable accommodation for their needs. Whilst a framework is being developed, the Council's long term aim is to build their own housing units which can be used for temporary accommodation purposes.

The Council are also in the process of adopting a New Licence Agreement Policy which will look to introduce a specified daily charge to clients occupying Bed and Breakfast accommodation in order to aid the Council in alleviating some of their Bed and Breakfast costs.

The Council currently has use of 7 two bedroom Council owned flats and leases a further 4 three bedroom houses. The Council also leases 2 two bedroom flats from a registered social landlord, making a total of 13 properties owned or controlled by the Council available for use of temporary accommodation.

The Council have a mix of Council-owned properties and leased properties. The Council are currently considering three options to enable them to acquire more property:

- Purchasing property on the open market or at auction
- Building their own units
- Lease properties from private owners/landlords.

GOOD PRACTICE

The following areas of good practice were identified:

- The Council's work programmes which relate to preventing homelessness and supporting individuals or households in need of emergency accommodation are clear, appropriately detailed and communicated to appropriate officers
- In discussion with staff we found that staff capacity and training offered is sufficient to support the effective prevention of homelessness
- The Council had fulfilled their 'statutory main homelessness duty' in all 15 cases examined during this audit
- The Council undertake quarterly budget monitoring meetings with Finance to review the actual spend against budget, in the prevention of homelessness
- The Council are undertaking several schemes to support the prevention of homelessness which are:
 - Call before you serve - The Council are able to refer cases to Derbyshire Law Centre who provide free impartial legal advice for individuals/households facing homelessness
 - The Council operate a google ads campaign where the Council pay for their specific web pages to be displayed as a priority for those people seeking advice locally online about evictions/homelessness
 - The Council commission Broxtowe Youth Homelessness to provide briefings in schools within the area about the risk of homelessness
 - The Council commissioned the Citizens Advice Bureau to work in doctors' surgeries to provide financial advice to individuals on benefits, in debt or homeless, or at risk of being homeless
 - The Council have set up a sanctuary scheme for Domestic Violence victims
 - The Council have set up a Street Outreach scheme which is an external street outreach service that approaches anyone reported as rough sleeping and try to assist them with the help of the appropriate Local Authority. The Council are working in partnership with six other Local Authorities to achieve this.

- The Council also work closely with the local foodbank who can provide gas/electric meter cards and for clothing, in addition to food parcels.

KEY FINDINGS

- **Strategy** - The South Nottinghamshire Homelessness and Rough Sleeping Strategy (2019-2022) does not currently consider the impact of high local housing costs and how this impacts available private landlord housing stock (**Finding 1 - Medium**)
- **Assessments** - In eight out of 30 cases reviewed we found that the Council had not regularly reviewed a client's assessment of needs (**Finding 2 - Medium**)
- **Bed & Breakfast** - In three out of 10 cases reviewed we found that clients had spent a significant proportion of time in Bed and Breakfast accommodation. The clients had spent 62, 113 and 116 days in Bed and Breakfast accommodation across our sample (**Finding 3 - Medium**)
- **Key Performance Indicators (KPIs)** - The KPIs reported for the prevention of homelessness are not specific to the achievement of the service objectives (**Finding 4 - Medium**).

ADDED VALUE

We have compared Council practices to other local authorities to identify best practice which could be put forward to improve the control environment.

CONCLUSION

We noted a number of good practices in relation to the Council's work programmes, training, budget monitoring arrangements and homelessness prevention schemes along with the Council's commitment to reduce their reliance on Bed and Breakfast accommodation.

However, the Council's current Homelessness and Rough Sleeping strategy does not consider the impact of high housing costs and how this impacts available private landlord housing stock, a regular assessment of needs is not always undertaken for clients in emergency accommodation, clients in some instances are still spending significant amounts of time in Bed and Breakfast accommodation and the KPIs reported for the prevention of homelessness in some cases do not provide sufficient meaningful data.

This has led us to conclude a moderate assurance over the design of the controls and a moderate assurance over the operational effectiveness of controls.

DETAILED FINDINGS

RISK: INADEQUATE STRATEGY IN PLACE TO SUPPORT THE PREVENTION OF HOMELESSNESS INCLUDING THE LACK OF CONSIDERATION TO THE IMPACT OF HIGH LOCAL HOUSING COSTS AND HOW THIS IMPACTS AVAILABLE PRIVATE LANDLORD HOUSING STOCK

Ref	Significance	Finding
1	Medium	<p><u>Strategy</u></p> <p>The Council have a South Nottinghamshire Homelessness and Rough Sleeping Strategy in place which was produced collaboratively between Broxtowe, Gedling and Rushcliffe Borough Councils and a range of partners following extensive partner and public consultation.</p> <p>We reviewed the Council's Strategy to assess its adequateness to support the prevention of homelessness, including whether it considers the impact of high local housing costs and how this impacts available private landlord housing stock. We found that the current strategy only makes reference to the 'call before you serve' homeless prevention scheme and does not currently address the issue of high local housing costs. We understand that it was not included because high cost housing impacting private landlords was not an issue when the current strategy was written.</p> <p>The Council have advised that the new Homelessness and Rough Sleeping Strategy to be introduced in 2022 will address the impact of high local housing costs. The Council are committed to ensuring that there are improved offers to Private Sector Landlords within South Nottinghamshire, including assistance with deposits, rent in advance and landlord incentives.</p> <p>There is a risk of greater reliance on temporary accommodation that generates significantly higher costs if the Council does not address the factors impacting on the availability of private landlord housing stock.</p>

RECOMMENDATION

The Council should work with Broxtowe Borough Council and Rushcliffe Borough Council to produce an updated Homelessness and Rough Sleeping Strategy and ensure that it addresses high local housing costs.

MANAGEMENT RESPONSE

Agreed. This is currently out for eight weeks consultation, with a view to adoption in early 2022. One of the key strategic aims and which the action plan is based on is access to affordable and quality accommodation. Therefore, depending on responses and strength of feelings, this area could be changed to reflect more of a focus.

Responsible Officer: Paul Whitworth

Implementation Date: 31 March 2022

INADEQUATE ARRANGEMENTS ARE IN PLACE TO MANAGE THE COSTS RELATING TO HOMELESSNESS IE INCREASING TEMPORARY ACCOMMODATION COSTS AND WEAK PROCEDURES AROUND RENT GUARANTEE SCHEMES, REAL LETTINGS SCHEME AND/OR FINDERS FEES SCHEMES

Ref	Significance	Finding
2	Medium	<p><u>Assessments</u></p> <p>The South Nottinghamshire Homelessness and Rough Sleeping Strategy (2019-2021) states that the Council has 'a duty to prevent homelessness for all eligible applicants threatened with homelessness, including providing a personal housing plan and keeping such assessments under review until any accommodation duty is discharged'. The overall aim of the plan is to set out actions to ensure the client has somewhere suitable to live for at least six months.</p> <p>We tested 30 homelessness applications between April 2021 and September 2021 to ascertain whether regular contact had been made with the client in order to determine whether assessments remained under review. We found:</p> <ul style="list-style-type: none"> On eight out of 30 (27%) occasions, the Council had made no contact with the client in the last six months. Five had received no contact since April 2021 and three had received no contact since June 2021. <p>We found that Council Officers are not making best use of the inbuilt functionality in the Abritas system. This function would enable them to set reminders to contact clients at regular intervals ensuring the clients' assessment of needs is regularly reviewed.</p> <p>There is an increased chance of homelessness reoccurring if a regular assessment of needs is not undertaken and the clients are not supported by the Council to sustain independent living. In addition, it could result in an increase in the need for temporary accommodation and therefore an increase in costs.</p>

RECOMMENDATION

As per the South Nottinghamshire Homelessness and Rough Sleeping Strategy dated 2019-2021 the Council should ensure that clients' assessment of needs are reviewed at regular intervals. The frequency of the regular reviews should be agreed (eg weekly/bi-weekly until any accommodation duty is discharged).

Officers should use the inbuilt functionality in the Abritas system to set diary reminders which will prompt officers to update client's case notes, and it will also remind them of the need to contact clients to ensure that the client's assessment of needs is regularly reviewed and updated.

MANAGEMENT RESPONSE

Recommendation agreed.

Responsible Officer: Paul Whitworth

Implementation Date: 28 Feb 2022

**INADEQUATE ARRANGEMENTS ARE IN PLACE TO MANAGE THE COSTS RELATING TO HOMELESSNESS
IE INCREASING TEMPORARY ACCOMMODATION COSTS AND WEAK PROCEDURES AROUND RENT
GUARANTEE SCHEMES, REAL LETTINGS SCHEME AND/OR FINDERS FEES SCHEMES**

Ref	Significance	Finding
3	Medium	<p><u>Bed and Breakfast</u></p> <p>The Council have stated in their South Nottinghamshire Homelessness and Rough Sleeping Strategy (2019-2021) that they are committed to working across the three authorities in the provision of temporary accommodation to minimise Bed and Breakfast usage. Total spend on bed and breakfast in 2020/21 was £391,856 and 2021/22 to date is £138,261.</p> <p>The Council's aim is reduce the reliance on the use of bed and breakfast accommodation through the acquisition and leasing of properties.</p> <p>We reviewed 10 cases where an individual or household had been placed in temporary accommodation between 1 April 2021 and 23 September 2021 in order to review the action taken by the Council to move individuals/households into permanent housing. We found that:</p> <ul style="list-style-type: none"> On three out of 10 (30%) occasions the individuals/household had spent an excessive amount of time within temporary bed and breakfast accommodation (62, 113 and 116 days at the time of the audit). For the remaining seven cases reviewed we found the Council had taken appropriate action to move individuals/households into permanent housing. <p>The Council currently does not have enough available permanent housing for homeless individuals. However, we note that the Council are taking the appropriate steps to address this within their long-term strategy: to purchase and lease more suitable accommodation within the Borough along with their long-term strategy to build their own housing units.</p> <p>Housing individuals/households in temporary accommodation in the long-term results in significant cost implications for the Council, and inappropriate living space for the individual/household.</p>

RECOMMENDATION

The Council should pursue formulating a New Licence Agreement with the aim of introducing a daily charge to individuals/households who occupy Bed and Breakfast accommodation.

The Council should re-assess internal arrangements and undertake their own spot checks on individuals/households who have spent significant amounts of time in Bed and Breakfast accommodation. These checks should be documented.

MANAGEMENT RESPONSE

Agreed. A new licence agreement has already been written and is currently with our Legal Services Team for consideration. The daily charge needs to be considered but will not automatically be applied in future. Also, the aim is to reduce B&B accommodation as much as is reasonable possible in future.

The authority is set to introduce a new temporary accommodation officer who aim is to specifically address these issues and provide ongoing care and support to those households in TA including B&B accommodation.

Responsible Officer: Paul Whitworth

Implementation Date: 31 March 2022

RISK: ASSETS ARE INACCURATELY VALUED BASED ON CHANGES TO THE CONDITION OF THE PROPERTY AND THERE IS INADEQUATE RECORDING OF CHANGES IN VALUE, LEADING TO AN INACCURATE UNDERSTANDING OF THE COUNCIL'S FIXED ASSETS

Ref	Significance	Finding
4	Medium	<p><u>Key Performance Indicators (KPIs)</u></p> <p>There are currently 16 KPIs in place reported to Senior Management and Members that relate to the prevention of Homelessness (see Appendix I). However, there too many KPIs in place and they are not specific enough to inform the Council as to whether for example the homelessness initiatives or the service it is providing is making an impact on their clients or the problem they are targeting.</p> <p>For example, the performance indicators report on the following without specifically detailing what they are trying to achieve by reporting these indicators:</p> <ul style="list-style-type: none"> • “Number of interviews” • “Number of cases prevented” • “Number of applications received” • “Number of applications accepted”. <p>These are measures of input and output rather than outcomes. There are no specific indicators which link into the achievement of the actions reported in the Council's Service Plan. For example, the Service plan states the following objectives the Council aims to achieve, but no specific performance measures in place to measure success against these objective:</p> <ul style="list-style-type: none"> • Reduce the reliance upon the use of B&B accommodation through the acquisition and leasing of properties. • Implement and review regular identified interventions to prevent homelessness and rough sleeping <p>The risk to the Council of insufficiently tailored KPI reporting is that it could lead to the impediment of the Council's ability to appropriately address poor performance and take the necessary action required to improve on performance.</p> <p>We have presented the current Key Performance Indicators in two graphs to show the trends and variations in the data from the period April - August 2021 presented as an observation at the end of the report.</p>

RECOMMENDATION

The performance indicators should be reconsidered to highlight performance against the new homelessness strategy, and also consider the achievement of the homelessness service objectives. They should also be specific to limit ambiguity. KPIs set should also be achievable and measurable by the Council to ensure that overambitious targets are not set.

Performance indicators should allow the service to assess the impact of any new initiatives and should pinpoint areas for improvement. They should be robust, specific and measurable and also provide Elective Members and Senior Management with a critical analysis of the Council's performance in the prevention of homelessness.

Performance indicators could cover considerations such as:

- Prevention - are fewer people experiencing homelessness for the first time?
- Incidence of homelessness - are overall rates of homelessness declining?
- Length of stay in system - do people stay homeless for shorter periods of time?
- Successful resolution - do people resolve their housing/homeless crisis successfully by maintaining/obtaining permanent housing?
- Repeat incidents - are repeat occurrences of homelessness avoided or declining?

The Council should give consideration to adopting the following measureable Performance Indicators in order to specifically link into their Service Plan:

- Clients average length of stay in Bed and Breakfast accommodation in the last 18 months
- Active number of housing cases
- Average housing case per case officer
- Average housing case load
- Number of interventions realised.

The Council should carry out annual reviews of the key performance indicators used in the reporting of homelessness prevention to ensure they remain fit for purpose.

MANAGEMENT RESPONSE

It is agreed that the current KPI indicators be reviewed.

Responsible Officer: Paul Whitworth

Implementation Date: 31 March 2022

OBSERVATIONS

HOMELESSNESS AND TEMPORARY ACCOMMODATION STRATEGIES - BENCHMARKING

We compared Gedling Borough Council's practices for the prevention of homelessness to five local authorities to identify other homelessness initiatives.

We found the following five Councils had adopted the following homelessness prevention practices

Manchester City Council

Ensuring that no one is discharged from hospital, in-patient mental-health services, or drug and alcohol detox treatment if they are homeless. Also ensuring that all discharges are planned, with continuity of treatment and support where needed.

East Devon District Council

- Identify the need for women only temporary hostel accommodation.
- Where rough sleepers are reluctant to move to a location where temporary accommodation is available East Devon District Council are investigating the use of shelters
 - Investigate if shelters should be available year round, or restricted to times of extreme weather.
 - Investigate the merits of 'pop-up' night shelters
 - Look to develop 'Safe Sleep' schemes, and investigate if churches might be a possible location for these schemes.
 - Work with our partners to identify viable areas to offer night shelters in East Devon

Mid Sussex District Council

Working with Citizen's Advice to provide money advice and homelessness prevention service

Litchfield District Council

Set up a partnership with Fusion Credit Union (FCU), a not-for-profit financial co-operative that administers low-cost loans, for deposits or rent in advance.

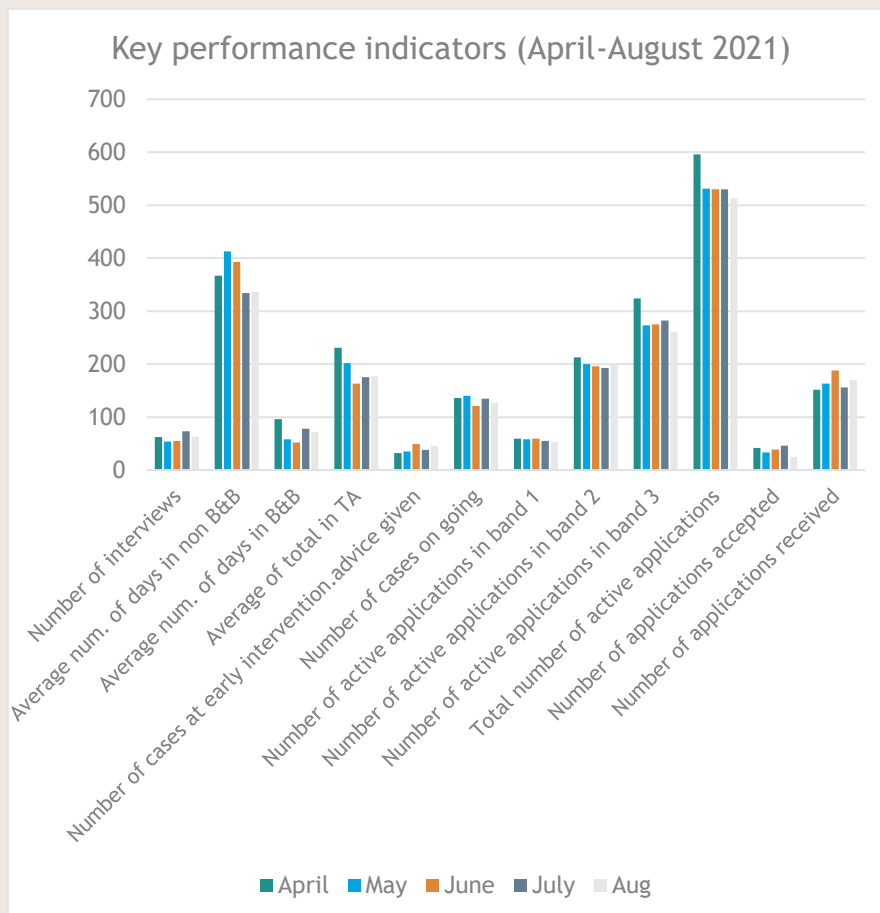
Stafford Borough Council

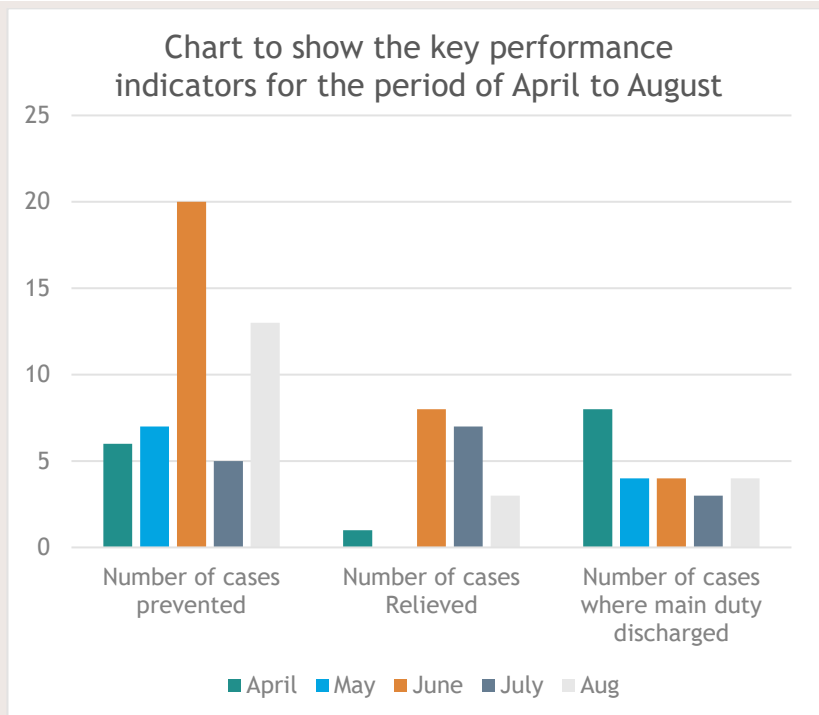
Invest in staff training in psychologically informed interviewing and listening skills

OBSERVATIONS

KEY PERFORMANCE INDICATORS

We have presented the Key Performance Indicators in two graphs to show the trends and variations in the data from the period April - August 2021.





STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Paul Whitworth	Housing and Welfare Support Manager
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Alison Bennett	Development and Economic Regeneration Manager
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Joelle Davies	Head of Regeneration & Welfare
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Cathy Evans	Housing Services Team Leader
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Susan Buchanan	Policy and Development Officer
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Sharon Bentley	Housing Options Officer
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APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW

The purpose of the audit is to provide assurance over arrangements in place to implement the South Nottinghamshire Homelessness and Rough Sleeping Strategy (the Strategy) and procedures in place to support individuals at risk of homelessness either in the immediate or short-to-medium term.

KEY RISKS

- Inadequate strategy in place to support the prevention of homelessness including the lack of consideration to the impact of high local housing costs and how this impacts available private landlord housing stock
- The Council's work programmes relating to preventing homelessness and supporting individuals or households in need of emergency accommodation are not sufficiently clear or detailed and communicated to relevant staff, leading to an ineffective contribution to the aims of the Gedling Housing Delivery Plan and the Strategy
- Staff capacity and training is insufficient to support the effective prevention of homelessness
- Inadequate arrangements are in place to manage the costs relating to homelessness ie increasing temporary accommodation costs and weak procedures around rent guarantee schemes, real lettings scheme and/or finders fees schemes
- Financial management and budget planning is ineffective which results in sub-standard procedures to prevent homelessness
- Monitoring and oversight of management information relating to outcomes is not effective, and this information is insufficiently analysed and acted upon.

SCOPE OF REVIEW

The following areas will be covered as part of this review:

- Review the Council's strategy in place to support the prevention of homelessness including consideration of the impact of high local housing costs and how this impacts available private landlord housing stock
 - Review the work programmes/action plans relating to preventing homelessness and supporting individuals or households in need of emergency accommodation to consider if:
 - The work programme is clear on how it supports delivery of Gedling Borough Council's commitment to the South Nottinghamshire Homelessness and Rough Sleeping Strategy
 - Actions within the work programme are specific, measurable, achievable, realistic, and timebound (SMART)
 - Assigned to clear action owners
 - Are appropriately followed up.
- Review staff capacity and the training received by appropriate officers to support the effective prevention of homelessness
- Review the arrangements in place to manage the costs relating to homelessness and use of temporary accommodation. Review the work undertaken to reduce the costs, including the prevention initiatives and the project to purchase and lease more properties
- Review a sample of cases where the Council has been contacted for support to consider if assessments of needs have been carried out and regularly reviewed

- Review a sample of cases where individuals at risk of homelessness have made an application for emergency housing and if the Council have met their statutory “main homeless duty”
- Review management information and evidence of monitoring and oversight over key performance indicators relating to the efficacy of the Council’s strategies and operational plans for preventing homelessness and supporting individuals or households at risk of immediate homelessness.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

SUSTAINABLE GROWTH - EMPLOYMENT & SKILLS
DECEMBER 2021

LEVEL OF ASSURANCE	
Design	Operational Effectiveness
Moderate	Moderate

EXECUTIVE SUMMARY	2
DETAILED FINDINGS	4
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DISTRIBUTION

Mike Hill	Chief Executive
Kathryn Banning	Economic Growth Project Support Officer

REPORT STATUS LIST

Auditors:	Pavan Mohan
Dates work performed:	05 October - 27 October 2021
Draft report issued:	3 November 2021
Final report issued:	2 December 2021

EXECUTIVE SUMMARY

LEVEL OF ASSURANCE: (SEE APPENDIX I FOR DEFINITIONS)

Design	Moderate	Generally a sound system of internal control designed to achieve system objectives with some exceptions.
Effectiveness	Moderate	Evidence of non-compliance with some controls that may put some of the system objectives at risk.

SUMMARY OF RECOMMENDATIONS: (SEE APPENDIX I)

High	0
Medium	1
Low	2

TOTAL NUMBER OF RECOMMENDATIONS: 3

BACKGROUND:

One of the Gedling Plan's priorities is to 'promote and drive sustainable growth across the borough to meet current and future needs'. To achieve this, one of the key strategic objectives identified by Gedling Borough Council ('the Council') is to drive business growth, workforce development and job opportunities.

The key actions identified to achieve this objective are:

- Support schools to prepare young people for work through career/interview skills days or 'prepare local people for work'
- Work with partners and local businesses to provide training opportunities for residents through apprenticeships, jobs, work experience placements and specialist events
- Extend delivery of the Compact Agreement with Nottingham Trent University through provision of student work placements and project opportunities
- Work with the Department for Work and Pensions to deliver Mentoring Circles to local unemployed people
- Support delivery of a local industrial strategy including playing an active role in D2N2/LEP (one of the largest Local Enterprise Partnerships in England to lead and support economic growth across Derby, Derbyshire, Nottingham and Nottinghamshire)
- Identify opportunities to redevelop vacant or underused land for employment uses
- Facilitate growth and inward investment across the Borough
- Provide targeted business support to small and medium businesses across the borough.

The skills and training agenda cuts across a number of corporate priorities. These elements within the Gedling Plan bring together a number of activities targeting a range of clients with the aim of getting them better skilled and employed.

The Council are currently experiencing turnover in the roles of Head of Regeneration and Welfare, and Economic Growth Manager who are responsible for much of the Employment and Skills work. The recruitment process for the Head of Regeneration and Welfare is ongoing, however it is not yet clear if the role of Economic Growth Manager will continue to exist.

GOOD PRACTICE:

The following areas of good practice have been identified:

- In order to continue to provide valuable Employment and Skills services, the Council has started to assess where there may be a future need or surplus of provision. This is part of the 'State of Gedling' review, which is being completed by the Economic Growth Manager. This is an economic assessment of the borough to provide a snapshot of each town, particularly in terms of employment and education data.
- The Employment and Skills Group (ESG) is co-ordinated by the Council as a platform for external partners to work better together and share information. Due to the impact of COVID-19, the quarterly meetings have been held remotely. This has allowed the group to expand its reach, with more attendees noted at these meetings compared to previous in-person meetings. In addition, the focus of the group has shifted away from over-analysis of statistics with no output, to greater collaboration between partners. We observed the October 2021 meeting which included effective discussions in line with the agenda. This is further reflected in our review of meeting minutes for the previous four meetings.

KEY FINDINGS:

- **Action Plans, Performance Indicators and Oversight** - There are a number of improvements that the Council can make to its governance arrangements, including more regular reporting to the Senior Leadership Team, more detailed action planning and having more measurable key performance indicators (**Finding 1, Medium**)
- **Lessons Learnt** - Success of the Council's initiatives is not measured regularly with no consistent process in place to review completed work and complete a lessons learned exercise (**Finding 2, Low**)
- **ESG terms of reference** - The Employment and Skills Group (ESG) do not have a terms of reference (**Finding 3, Low**).

CONCLUSION:

Overall, the Council has controls in place that are designed to ensure that there is adequate management of Employment and Skills services. This includes the facilitation of ESG meetings which have been functioning more effectively over the past year.

The Council have an action plan in place and have identified a number of performance indicators. However, further progress needs to be made in ensuring these are appropriate, and that regular, sufficient updates are provided to leadership for oversight.

Much of the Council's Employment and Skills work is continuous with no clear end dates. Despite this, it is important for there to be a frequent review and reflection process to aid continuous improvement.

Therefore, the overall rating is a moderate opinion on both the design and effectiveness of the system.

DETAILED FINDINGS

RISK: THE ACTIONS IN PLACE TO ACHIEVE THESE PRIORITIES ARE NOT ADEQUATE OR EFFECTIVE

Ref	Significance	Finding
1	Medium	<p><u>Action Plans, Performance Indicators & Oversight</u></p> <p>In order to help deliver the objective of 'Drive business growth, workforce development and job opportunities', there is a Regeneration and Welfare Service Plan for 2021-22 with 53 actions. This contains a number of actions that are directly linked to the work of Employment and Skills, including:</p> <ul style="list-style-type: none"> • Support schools to prepare young people for work through career/interview skills days or 'Prepare local people for work' • Work with partners and local businesses to provide training opportunities for residents through apprenticeships, jobs, work experience placements and specialist events • Ensure that the work of the Social Mobility Commission feeds into the Economic Growth team's work programme (including the employment and skills agenda). <p>Action Plans</p> <p>The Council use the Pentana system for their action plans and performance indicators. Our review of the action plan generated on 9 September 2021 from the latest information in Pentana showed:</p> <ul style="list-style-type: none"> • Each action has been assigned a clear owner to ensure appropriate responsibility. Given the current turnover in the roles of Head of Regeneration and Welfare, and Economic Growth Manager, these will need to be reassigned. • Each action has a due date; however, the majority of these have the same date of either 31 March 2022 or 31 March 2023. Whilst it is noted that much of the Employment and Skills work completed by the Council is continuous rather than project based with clear deadlines, the actions should still be time-bound. • Performance is shown with a progress bar out of 100%, however nearly all actions showed progress of 0%. Our discussions found that this is not reflective of the actual work completed, but is rather due to a lack of Pentana knowledge by staff. • Whilst there is the ability to add details to each action as a latest update, this has only been completed for one action. In addition, the action plan does not include the previous updates to provide a complete narrative. <p>Performance Indicators</p> <p>To aid monitoring of progress, a number of performance indicators have been identified at both a corporate and service level. These include:</p> <ul style="list-style-type: none"> • Delivery of school based employability events • Number of new investments in Gedling for regeneration projects that the Council has facilitated • Percentage of young people (18-24 year olds) claiming Job

Seeker Allowance.

These indicators are assigned to officers who are required to input the data into Pentana each quarter, which is then reported to SLT quarterly with supporting narrative.

Our review of the indicators found that:

- A number of indicators are not measurable, which meant that a target and actual value could not be assigned. For example, the indicator 'engage with top 50 businesses and key growth businesses through the key account management scheme, as well any other business seeking support'. The word 'engage' is not specific, and the indicator would be better phrased as 'the number of top 50 businesses and key growth businesses that have used the key account management scheme' to ensure it is measurable.
- Some indicators cannot be influenced directly by the Council, and therefore are not realistic or achievable. For example, the indicator 'percentage of working age people on Job Seekers' Allowance'.

Oversight

Employment and Skills is included within the Regeneration and Welfare service area. The Director for this area is the Council's Chief Executive. Whilst this should ensure there is appropriate oversight, we found that:

- There are no regular progress reports that are presented to the Senior Leadership Team (SLT) in relation to this work. A one-off report was presented to SLT in June 2021, on their request, which detailed the activities of the ESG, collaboration of the Council with partners such as DWP, and the Employability Programme.
- The Regeneration and Welfare Service Plan is presented to SLT quarterly, however this does not include an adequate amount of information relating to the progress of Employment and Skills, as above.

Without regular updates, SLT do not have the ability to appropriately scrutinise progress towards achieving the objectives as set out within the Gedling Plan.

RECOMMENDATION:

1A) The Council should ensure that actions that were assigned to the previous Head of Regeneration and Welfare, and Economic Growth Manager are transferred to appropriate colleagues

1B) Actions should be reviewed to ensure they are SMART (suitable, measureable, attainable, realistic, timebound), with due dates that are feasible

1C) The progress of actions should be reviewed and updated within Pentana to reflect the current state of play

1D) In order for the Council to use Pentana effectively, training and/or guidance notes should be provided to all appropriate staff

1E) The ability for Pentana to include all previous updates against each action should be investigated

2) Regular progress reports should be presented to SLT which includes an overview of the events that have been delivered and those that are upcoming

3) The performance indicators should be reviewed to ensure they are SMART, with target values assigned.

MANAGEMENT RESPONSE:

Agreed. Pentana is a corporate tool and these actions will be aligned centrally following the departure of the officers in discussion with the appropriate director responsible for the service area

Responsible Officer: Chief Executive

Implementation Date: 30 December 2021

RISK: THE COUNCIL DOES NOT SUFFICIENTLY CONTRIBUTE TO PARTNERSHIPS TO ENSURE ITS OBJECTIVES ARE GIVEN APPROPRIATE PRIORITY

Ref	Significance	Finding
2	Low	<p><u>Lessons Learnt</u></p> <p>In order to measure the success of the Council's initiatives, including its impact within the Borough, a review and lessons learnt exercise should take place.</p> <p>For the following projects, a lessons learnt exercise was undertaken by the Council, but we found that the following improvements could be made to the Council's inconsistent process:</p> <ul style="list-style-type: none"> • Apprenticeship Fair February 2021 - an outcome report was created which detailed the entire process from the background and initial promotion, to attendance and feedback. Feedback was received from the exhibitors via a template evaluation form which required ratings for pre-event organisation and information; event marketing; and benefits of taking part in the Fair. In addition, narrative answers were requested for further information. The results of this feedback from 17 exhibitors were collated and analysed, in order to identify a number of lessons learnt and actions. Given the impact of COVID-19 and the event being held remotely for the first time, there was added importance to understand the impact of this. However, we found that the Council's process did not include gathering feedback from the schools and students who attended to provide a complete overview. • Recruiting Talent 2019 - this event brought together experts who can support businesses to change the way they recruit and retain staff, accessing a wider pool of talent available locally and contributing to greater activity. Following this event, an evaluation form was circulated with responses from 19 attendees. The form included a mix of questions that required ratings and narrative, with the majority of feedback being positive. Whilst this feedback was collated, a report which analysed the content and outlined key lessons learnt and actions to take forward was not created. • The Gedling Employability Programme is a continuous programme which has been running for the last six years. The purpose of this programme is to provide a link between businesses and students to ensure they are ready for work through preparation of CVs, interview practice and learning STEM skills. The Council collect data relating to the number of schools engaged, number of sessions run etc. Feedback is also received after sessions from businesses and schools. This information was brought together for the Council's submission to the APSE Service Awards 2020. However, there is currently no annual process whereby progress for the previous year is reflected on to ensure that the success is built upon. <p>Therefore, whilst certain aspects of the Council's work is reviewed to measure its success, this is not a regular and robust process. There is a risk that information obtained as part of the lessons learnt</p>

exercise is not effectively utilised in the next project.

In order to ensure the Council continues to provide valuable Employment and Skills services, the Council has started to assess where there may be a future need or surplus of provision. This is part of the 'State of Gedling' review, which is being completed by the Economic Growth Manager. This is an economic assessment of the borough to provide a snapshot of each town, particularly in terms of employment and education data.

However, given the current turnover in the roles of Head of Regeneration and Welfare, and Economic Growth Manager, there is a risk of this assessment not being completed and used effectively.

RECOMMENDATION:

- 1) The Council should ensure that there is a regular review and lessons learnt process for all Employment and Skills related work. For one-off projects, this should be completed post-project with feedback received from all relevant parties. For continuous work, there should be a review to assess the progress year-on-year.
- 2) Once this process has been completed, action plans from the lessons learnt should be created and disseminated to appropriate partners to ensure continuous improvement.
- 3) The Council should ensure that the 'State of Gedling' review is completed, and consistently updated for use in its assessment of future needs or potential provision surpluses.

MANAGEMENT RESPONSE:

Agreed. This will be undertaken as part of the year-end reporting processes

Responsible Officer: Economic Growth Project Support Officer

Implementation Date: 30 June 2022

RISK: THE EMPLOYMENT AND SKILLS GROUP IS NOT APPROPRIATELY MANDATED TOWARDS THE ACHIEVEMENT OF THESE OBJECTIVES

Ref	Significance	Finding
3	Low	<p><u>ESG terms of reference</u></p> <p>The Employment and Skills Group (ESG) provides the main means for interaction with organisations providing support within Gedling. It brings together organisations including the Department for Work and Pensions (DWP), Universities, Nottinghamshire County Council services (e.g. schools, social services), housing organisations as well as providers such as Inspire, Futures and others operating in the area. The group is chaired by Cllr Jenny Hollingsworth who is the Portfolio Holder for Growth and Regeneration.</p> <p>The ESG holds quarterly meetings whereby the invite is extended to approximately 200 individuals across a number of organisations. Typically, 20-30 people attend each meeting.</p> <p>We found that there is no terms of reference in place for the group. There is a risk that the group are not aligned in what is to be achieved through the ESG, what each individual member's roles and responsibilities are, and who is able to make decisions.</p>

RECOMMENDATION:

A terms of reference should be created for the ESG. This should define:

- The vision, objectives, scope and deliverables (i.e. what has to be achieved)
- Stakeholders, roles and responsibilities (i.e. who will take part in it)
- Resource, financial and quality plans (i.e. how it will be achieved)
- Work structure and schedule (i.e. when it will be achieved).

Once the terms of reference has been drafted it should be circulated to the members of the ESG for comments and approval. It should then be reviewed every one to three years to ensure it remains fit-for-purpose.

MANAGEMENT RESPONSE:

Agreed.

Responsible Officer: Economic Growth Project Support Officer

Implementation Date: 31 March 2022

STAFF INTERVIEWED

BDO LLP APPRECIATES THE TIME PROVIDED BY ALL THE INDIVIDUALS INVOLVED IN THIS REVIEW AND WOULD LIKE TO THANK THEM FOR THEIR ASSISTANCE AND COOPERATION.

Joelle Davies	Head of Regeneration and Welfare
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Jeffrey Kenyon	Economic Growth Manager
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APPENDIX I - DEFINITIONS

LEVEL OF ASSURANCE	DESIGN OF INTERNAL CONTROL FRAMEWORK		OPERATIONAL EFFECTIVENESS OF CONTROLS	
	FINDINGS FROM REVIEW	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX II - TERMS OF REFERENCE

PURPOSE OF REVIEW:

This audit will provide assurance over the governance arrangements in place to achieve the Council's priority to promote and drive sustainable growth across the borough. We will review the key actions in place as detailed above to ensure they are operating effectively towards the successful achievement of the objectives.

KEY RISKS:

- The priorities/initiatives do not directly link to the objectives of the Gedling Plan
- The actions in place to achieve these priorities are not adequate or effective
- The Council does not sufficiently contribute to partnerships to ensure its objectives are given appropriate priority
- Governance structures are inadequate and are not robust enough to allow sufficient scrutiny
- The Employment and Skills Group is not appropriately mandated towards the achievement of these objectives
- Monitoring and oversight of management information relating to the priorities is ineffective.

SCOPE OF REVIEW:

The following areas will be covered as part of this review:

- Review how the priorities/initiatives link in to the achievement of the Gedling Plan. Review how the initiatives are realised and how further opportunities are identified
- Review whether each of the key priorities/initiatives (as recorded in the background section) have action plans to ensure their achievement. Review the action plans and evaluate if:
 - Outcomes are clear and well-defined
 - Actions are specific, measurable, achievable, realistic and time bound (SMART)
 - Assigned to clear action owners
 - Are appropriately followed up to ensure they are achieved in the timescales set.
- Review the governance structures in place and ensure there is appropriate scrutiny of the progress towards achieving the objectives as set out within the Gedling Plan
- Review whether the Employment and Skills Group (ESG) has an appropriate terms of reference, meet regularly and reviews progress against the objectives and key actions. Evidence what outputs are delivered and whether this is in line with the Gedling Plan priorities and objectives
- Review management information and evidence of monitoring and oversight over key performance indicators relating to the effectiveness of each of the initiatives
- Review how success is measured, including the impact that various initiatives have within the Borough. This also includes reviewing whether the Council has assessed where there may be a future need or a surplus of provision.

However, Internal Audit will bring to the attention of management any points relating to other areas that come to their attention during the course of the audit. We assume for the purposes of estimating the number of days of audit work that there is one control environment, and that we will be providing assurance over controls in this environment. If this is not the case, our estimate of audit days may not be accurate.

APPROACH:

Our approach will be to conduct interviews to establish the controls in operation for each of our areas of audit work. We will then seek documentary evidence that these controls are designed as described. We will evaluate these controls to identify whether they adequately address the risks.

We will seek to gain evidence of the satisfactory operation of the controls to verify the effectiveness of the control through use of a range of tools and techniques.

BAF/CRR REFERENCE:

Risk 13: Failure to react to socio-economic trends.

FOR MORE INFORMATION:

Greg Rubins

Greg.Rubins@bdo.co.uk

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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Report to Audit Committee

Subject: Internal Audit Follow Up Report 2021/22

Date: 14 December 2021

Author: Kate Ball – Audit Manager (BDO)

1 Purpose of Report

To summarise the status of previous audit recommendations which have fallen due by the end of November 2021.

Recommendation(s)

THAT:

- 1) Members receive the Report and note actions taken or to be taken.**

2 Background

- 2.1 The legacy RSM audit recommendations from 2018/19 and 2019/20 are followed up in line with the BDO audit recommendations made in 2020/21 and 2021/22.

3 Proposal

- 3.1 All recommendations with due dates of November 2021 have been followed up. Where the recommendation is of medium or high priority we request full evidence to support its implementation. We request a written response from the responsible officers of all low priority recommendations but do not sight evidence.

4 Financial Implications

- 4.1 The Internal Audit Plan is delivered within the approved budgets.

5 Legal Implications

- 5.1 None arising directly from this report.

6 Equalities Implications

- 6.1 None arising directly from this report

7 Carbon Reduction/Environmental Sustainability Implications

7.1 None arising directly from this report.

8 Appendices

8.1 None



INTERNAL AUDIT FOLLOW UP OF RECOMMENDATIONS REPORT

GEDLING BOROUGH COUNCIL

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SUMMARY

2018/19	Total Recs	H	M	L	To follow up	Complete			In progress			Overdue			Not Due		
						H	M	L	H	M	L	H	M	L	H	M	L
Grounds Maintenance	3	-	2	1	3	-	2	-	-	-	-	-	-	-	-	-	1
Property Investment	1	-	1	-	1	-	-	-	-	-	-	-	-	-	-	1	-
Contracts & Procurement	1	-	1	-	1	-	-	-	-	-	-	-	-	-	-	1	-
Total*	10	-	7	3	10	-	5	2	-	-	-	-	-	-	-	2	1

*We have removed three audits where 100% recommendations have been completed

2019/20	Total Recs	H	M	L	To follow up	Complete			In progress			Overdue			Not Due		
						H	M	L	H	M	L	H	M	L	H	M	L
Safeguarding	3	-	2	1	3	-	2	1	-	-	-	-	-	-	-	-	-
IT General Controls	12	3	3	6	12	3	2	4	-	-	-	-	1	2	-	-	-
Housing Benefits, Universal Credit and Council Tax Reduction Scheme	4	-	1	3	4	-	1	3	-	-	-	-	-	-	-	-	-
Council Tax	2	-	2	-	2	-	1	-	-	-	-	-	-	-	-	1	-
Flexible and Lone Working	5	-	2	3	5	-	2	3	-	-	-	-	-	-	-	-	-
Corporate Governance	3	-	1	2	3	-	-	1	-	-	-	-	1	-	-	-	1
Leisure Centres	6	-	4	2	6	-	3	2	-	-	-	-	1	-	-	-	-
Total*	52	3	23	26	52	3	18	24	-	-	-	-	3	2	-	1	1

*We have removed three audits where 100% recommendations have been completed

2020/21

	Total Recs	H	M	L	To follow up	Complete			In progress			Overdue			Not Due		
						H	M	L	H	M	L	H	M	L	H	M	L
Sickness Management	5	-	1	4	5	-	1	3	-	-	1	-	-	-	-	-	-
Council Tax and NNDR	2	-	-	2	2	-	-	-	-	-	-	-	-	1	-	-	1
Main Financial Systems	3	-	-	3	3	-	-	1	-	-	2	-	-	-	-	-	-
Project Management	3	-	2	1	3	-	2	1	-	-	-	-	-	-	-	-	-
Budget Management	2	-	-	2	2	-	-	-	-	-	1	-	-	1	-	-	-
Health and Safety	4	-	3	1	4	-	1	1	-	2	-	-	-	-	-	-	-
Commercialisation	4	1	3	-	4	-	-	-	-	2	-	-	-	-	1	1	-
Waste & Recycling	3	-	3	-	3	-	-	-	-	-	-	-	-	-	-	3	-
Cyber Risk	4	1	2	1	4	1	1	1	-	-	-	-	1	-	-	-	-
Total	30	2	15	13	30	1	5	7	-	4	4	-	1	2	1	4	1

2021/2022

	Total Recs	H	M	L	To follow up	Complete			In progress			Overdue			Not Due		
						H	M	L	H	M	L	H	M	L	H	M	L
Asset Management	4	-	1	3	4	-	-	-	-	-	-	-	-	-	-	1	3
Housing Benefits	1	-	-	1	1	-	-	-	-	-	-	-	-	-	-	-	1
Risk Maturity	18	-	17	1	18	-	2	-	-	-	-	-	-	-	-	15	1
Total	23	-	18	5	23	-	2	-	-	-	-	-	-	-	-	16	5

SUMMARY

2018/19

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2018/19.

There were 62 recommendations arising from legacy audits carried out by RSM. Ten related to 2018/19 audits and 52 related to 2019/20 audits.

Of the 62 recommendations followed-up:

- Three were high, 30 were medium and 29 were low
- Across 18/19 and 19/20 recommendations, three high, 23 medium and 26 low priority recommendations have been completed or are now superseded, totalling 52 of 62 recommendations (84%). Six recommendations have been completed since the last follow up in May 2021
- The 19/20 recommendations have a higher implementation rate, with 45 of 52 recommendations being completed (87%).

2020/21

Please find below a summary of the status of implementation of recommendations arising from audit reports issued in 2021/2022.

There are 30 recommendations arising from 2020/21 audits. Of these, 18 recommendations were due for follow-up.

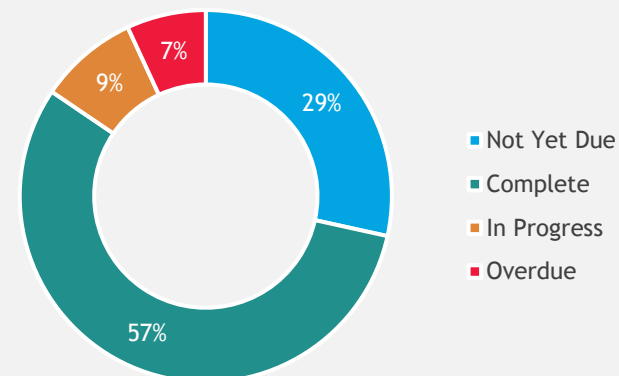
Of the 18 recommendations followed-up:

- One was high, seven were medium and ten were low
- Of these, one high, two medium and three low priority recommendations have been reported as complete. Another low priority recommendation has been superseded due to changes in the service. This results in 43% of all 2020/21 audit recommendations have been implemented to date
- There are 10 recommendations in progress and three overdue. There are six recommendations where the implementation date has not been reached and therefore these will be followed up and reported at the June 2022 Audit Committee.
- We did not get a response from the responsible officer for four recommendations. These four recommendations have been reported in progress as they have missed one implementation date.

REQUIRED AUDIT COMMITTEE ACTION:

We ask the Audit Committee to note the progress against the recommendations for all audits 2018/19 to 2021/22.

Cumulative implementation



2021/2022

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2021/2022.

- There are 23 recommendations arising from 2021/22 audits. Of these, two recommendations were due for follow-up at this time as a result of the risk maturity review.
- Of the two medium priority recommendations followed-up, both were reported as complete.

RECOMMENDATIONS: COMPLETE

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
18/19 - Grounds Maintenance Parks & Open Spaces	We will commence a park by park and open spaces survey of all trees as soon as we have completed the appointment of a Green Space Asset Manager.	Medium	Mel Cryer	31/03/2020 31/01/2021 31/06/2021	<p>Council Comments: Green Space Asset Manager [Tree Officer] appointed. Commencement of a park by park and open spaces survey of all trees has begun.</p> <p>IA Comments: We agree this recommendation has been completed.</p>
19/20 - Safeguarding	An annual report on safeguarding will be prepared and presented to Cabinet to make them aware of the Council's performance on Safeguarding.	Low	Maria Ziolkowski	30/06/2020 31/12/2020	<p>Council Comments: The annual report has been presented to Cabinet.</p> <p>IA Comments: We have now received confirmation that this report was presented to Cabinet and agree that it is complete.</p>
19/20 - Housing Benefit, Universal Credit and Council Tax Reduction Scheme	Housing Benefit policies will be updated to reflect current working practices and current legislation.	Low	Andy Solley/Paul Whitworth	31/03/2020 29/02/2021 31/06/2021	<p>Council Comments: The changes to the two outstanding policies have been identified and changes made. These changes have been forwarded on to the Senior Leadership Team (SLT) to approve.</p> <p>IA Comments: This has been recommended within the 2021/22 Housing Benefits review therefore we have signed this off as complete for the 2019/20 review. We will follow up the action above as part of the 2021/22 Housing Benefit recommendation timescales. We agree this recommendation has been completed.</p>
19/20 - Flexible & Lone Working	The Employee Protection Register Guidance Document for Council staff members will be updated to reflect current data protection guidelines in line with GDPR Regulations.	Low	David Archer/Grant Illet	31/10/2019	<p>Council Comments: This is now complete and the policy has been updated.</p>

					IA Comments: We can now confirm that the recommendation has been completed and have sighted the updated policy.
19/20 - Flexible & Lone Working	The Council will ensure that all outstanding risk assessments are transferred to the AssessNet System.	Medium	David Archer/Grant Illet	30/06/2019	Council Comments: This is now complete, risk assessments have been transferred. IA Comments: We agree this recommendation has been completed.
19/20 - IT General Controls	Management will create a Skills Matrix and review it on an annual basis. Any skills gaps will be addressed either by additional technical training or additional recruitment if relevant.	Low	Paul Adcock	30/06/2020 30/09/2020 31/01/2021	Council Comments: The Skills matrix for the ICT team has been produced. It was last reviewed in July 2021 IA Comments: We have seen evidence of the ICT skills matrix. We agree this recommendation has been completed.
20/21 - Cyber Risk	Management should ensure the Disaster Recovery Protocol is reviewed and updated in line with the review process set out in the protocol.	Low	Head of Service	31/07/2021	Council Comments: A disaster recovery exercise was undertaken from 28 June to 1 July 2021 by Adam Continuity. This was presented to the Council's Data Security Group meeting on 22 September 2021. The major issue that was encountered in the exercise related to a tape drive. This was resolved as set out in the attached correspondence between ICT staff and a representative of Centerprise (Adam Continuity are one of their subsidiary companies). Any other points raised in the exercise have been addressed. A review of the Disaster Recovery Protocol would be a much larger piece of work. This would need to be included in the Finance and ICT service plan with defined timescales for its completion and appropriate resources allocated to it. We will look to do this at some stage in the future. IA Comments: We have sighted the disaster recovery exercise undertaken in June/July 2021. We agree this recommendation has been completed.
20/21 - Health and Safety	1. HSEPO will complete briefings sessions to new Heads of Service in light of the senior restructure exercise.	Medium	Grant Illet	31/07/2021	Council Comments: This is complete with the level of resource available. This action historically relies on client officers forwarding the

	2. HSEPO already completes this. The HSEPO has no formal control over the level of projects or jobs that require H&S support. What would help is projects and construction jobs being better planned and spread over more time this would make requests for H&S support more manageable for a single officer to resource. Without a 'team' or extra resource this recommendation the level of support is unlikely to be increased further.				<p>documentation to the Health, Safety and Emergency Planning Officer and requesting this before any works start. There are clearly known gaps in some departments with little or no contractor documentation. Where this is not done, it is forwarded to the contractor's manager (example provided). There is also temporary H&S support with other ongoing contractor documentation updates where we have sight of known contractors.</p> <p>CHAS quarterly reports have been issued includes contractor policy and control reminders.</p> <p>Management are also regularly reminded about completing contractor documentation. Contractor Guidance was reviewed in recent weeks which has now been circulated to management. This action can for the purpose of this audit action be marked as complete.</p> <p>IA Comments:</p> <p>We agree this recommendation has been completed.</p>
20/21 - Health and Safety	Where remedial actions become significantly overdue, managers should send reminders to the responsible officer and ensure they update the AssessNET system if the action has already been completed.	Low	Grant Illet	31/07/2021	<p>Council Comments:</p> <p>Training completed for management 21st June and 8th July.</p> <p>Quarterly task management reports are issued to SLT. Corporate H&S group meetings also highlights task management to periodically raise the awareness of the task outstanding.</p> <p>IA Comments:</p> <p>We have seen evidence of the training undertaken. We agree this recommendation has been completed.</p>
20/21 - Main Financial Systems	We recommend that the Revenues team should run the aged debt report on a regular basis and set a target for debt reduction going forward. In the Council Tax and NNDR audit we undertook recently, we have provided some debt collection good practice collected by the Local Government Association in respect to connecting vulnerable residents with Council support to address the challenges brought by COVID-19.	Low	Andrew Solley	31/06/2021	<p>Council Comments:</p> <p>Quarterly reporting is now completed by the Revenues Manager to the Council's Senior Leadership Team on all debt types detailing the Council's overall debt position and an analysis of the age of debt.</p> <p>IA Comments:</p> <p>We agree this recommendation has been completed.</p>
20/21 - Sickness Management (Superseded)	The Council should define its expectations from the occupational health contract and measure performance against these expectations on a periodic basis in order to	Low	David Archer	31/03/2021	<p>Council Comments:</p> <p>The number of referrals is very low. An analysis of such a small amount of data is unlikely to return any information that would</p>

	<p>satisfy itself that it is receiving value for money. For instance, this could be setting out some headline expectations in terms of staff satisfaction surveys of those who have used the service; the effectiveness of workplace adjustments recommended by OH; the number of referrals and timeliness in response to the referrals; outcomes of referrals and the resulting either lost or gained hours in productivity. The content of the expectations should be whatever is feasible to monitor given current capacity.</p> <p>The contract costs should also be compared with those of other providers.</p> <p>Given the low financial value of the contract the review against expectations and costs could be annual rather than quarterly.</p>				<p>materially improve the service delivery of OH. The Council does not see the development of a PI relating to staff satisfaction being of genuine use as it is likely to be skewed by the OH recommendation and the individual's perception of this. In addition, the Council does not see value in trying to estimate the gained hours of productivity between a referral and non-referral to OH. We do not plan to do any more at the moment with this but will consider how to apply the recommendation if an opportune moment presents itself in the future.</p> <p>IA Comments:</p> <p>We agree this recommendation has been superseded and have removed it from our follow up.</p>
20/21 - Cyber Risk	<p>A) Management should address the anti-virus endpoints which do not have up-to-date anti-virus installed and review the endpoints which were not located on in the report to ensure that they are up-to-date.</p> <p>B) Additionally, there should be continuous monitoring in place for all devices connected on the network to be fully anti-virus protected.</p>	High	Gary Bennett	31/05/2021	<p>Council Comments:</p> <p>A script was created that takes inputs from our CMDB asset register and compares it to the devices registered in our AV system. This then highlight anomalies to be investigated. This is being run quarterly. At this time we also check the AV device list for devices that are not updating correctly.</p> <p>IA Comments:</p> <p>We agree this recommendation has been completed.</p>
20/21 - Cyber Risk	<p>A) Management should ensure that the Windows 7 machines are upgraded to the latest OS patch and the 2008 servers are decommissioned.</p> <p>B) Senior management should be informed of any delays to the replacement work and, where necessary, take appropriate action.</p>	Medium	John Standiland	31/07/2021	<p>Council Comments:</p> <p>Of the listed work, the Bottomline system was replaced and the Terminal 4 system upgraded, removing all Server 2008 from the environment.</p> <p>On Windows 7 the PAC system was converted to Windows 10 and the boiler system is mitigated as mentioned and this is working.</p> <p>We identified further Windows 7 installs. All have been addressed.</p> <p>IA Comments:</p> <p>We agree this recommendation has been completed.</p>
21/22 - Risk Maturity	The overall risk environment in the Development and Place service needs to be reviewed to ensure the service risk register	Medium	Paul Adcock	30/09/2021	<p>Council Comments:</p>

	still accurately reflects the service's exposure to risk due to the risk register currently showing no changes or updates to any of the risks for the past three quarters.				An email has been sent to the Head of Service for this area to inform him of the findings. IA Comments: We agree this recommendation has been completed.
21/22 - Risk Maturity	Where quarterly reviews of the risk registers take place the services must ensure that the update columns in the registers are updated to provide the reader with a sufficient understanding of what changes have taken place since the previous quarter. Where no changes have occurred an explanation of why this is the case should be recorded.	Medium	Paul Adcock	30/09/2021	Council Comments: An email has been sent to all Heads of Services to remind them of their responsibilities with regards to updating the risk register. IA Comments: We agree this recommendation has been completed.

RECOMMENDATIONS: IN PROGRESS

These recommendations have been marked as In Progress as they have not been implemented by their original date; a revised date has been provided.

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
20/21 - Sickness Management	<p>A) Line managers should be reminded that all parts of the SC1 form should be fully and accurately completed</p> <p>B) Return to work interviews should be completed as soon as possible and ideally within a week of the employee returning</p> <p>C) The Council should consider implementing online SC1 forms and in the meantime remind managers of the need to ensure that sensitive personal data is stored securely.</p>	Low	David Archer	<p>30/11/20 (Reminders) 31/03/22</p> <p>(Development of online forms)</p>	<p>Council Comments:</p> <p>A. Complete - This has been considered and now appears in the HR service plan.</p> <p>B. Complete - Action owners have sent an email to staff reminding them and to remind their teams to complete the sickness forms.</p> <p>C. Not due - Due to the exceptional demands of the last year it may now be unlikely that the original target date for implementation (March 22) is achievable, and this may be rolled back to next year (March 23).</p> <p>IA Comments:</p> <p>We consider A&B complete. We will review part C when the initial implementation date of March 2022 is surpassed. We acknowledge that the implementation and roll out of online SC1 forms may take longer than initially anticipated.</p>
20/21 - Budget Management	<p>A. Staff involved in budget management/ monitoring should be made aware of the one-to-one training opportunities currently provided by the finance team</p> <p>B. The finance team should review the suite of training topics available for staff, and consider including other topics as highlighted within the survey</p> <p>C. Consider reintroducing annual refresher training for Heads of Service. This could coincide with the start of the budget setting period to provide a general overview of the process, refresher training of the systems and any additional gaps in knowledge or Council-wide issues that have been identified.</p>	Low	<p>Tina Adams Paul Adcock</p>	<p>A & B - 30/04/2021</p> <p>C - 30/09/2021</p> <p>A, B & C - 31/03/2022</p>	<p>Council Comments:</p> <p>A new structure for the Financial Services team was approved on 31 August 2021. This includes the post of Finance Business Partner (Systems and Business Development). Their duties as set out in their job description include “to lead and deliver the financial systems training both within Financial Services and across the organisation” and “to work with the Finance Business Partners and Heads of Services to identify areas of system development and reporting requirements to support the day-to-day business and the achievement of efficiencies across all service areas”. They will now therefore be taking forward the recommendations in the audit report.</p> <p>The Council has also purchased a feature called “Work Spaces” from its financial system provider (Unit 4) designed to enhance the financial reporting information available to budget holders.</p>

IA Comments:

The Finance Service team have only recently been through a restructure, and the initial responsible officer has left the Council.

The Council have struggled to recruit to the post of Financial Services Manager who will oversee the Finance Business Partner (Systems and Development) in implementing these recommendations. .

20/21 - Main Financial Systems	All departments should be reminded of their responsibilities of complying with the purchase to pay process. System reports should be generated to identify exceptions.	Low	Alan Doig	30/06/2021 31/03/2022	Council Comments: The team did start to monitor these retrospective orders however due to staffing issues and other priorities have not taken it as far as sending the information out to service areas. This will be prioritised and the first half-year and then the third quarter after December will be sent out. The Council's current internal AP procedures dictate that all invoices are assigned to a Purchase Order before they can be processed, if a PO is not quoted on the invoice we will request the order from the relevant service area. Failure to obtain one within a week will result in the invoice being returned unpaid. The retrospective ordering monitoring exercise will then identify all orders raised after receipt of the invoice. IA Comments: We received a copy of the start of the process from the responsible officer, but acknowledge it is not yet complete.
20/21 - Main Financial Systems	A clear mandatory purchase to pay step by step procedure should be developed and issued to all departments (links to finding 1), with exceptions identified and reviewed.	Low	Alan Doig	30/06/2021 31/03/2022	
20/21 - Health and Safety	A. The Car Parks Maintenance Policy should be reviewed and updated accordingly. The policy currently requires the street lighting to be inspected four times a year, but they are now only inspected twice yearly. It should be ensured that the current inspection regime is risk assessed and is adequate in its reduced frequency. This policy should then be approved/ ratified accordingly B. A policy for the inspection of Council managed open spaces should be written and approved accordingly C. Review whether there are inspection policies available for all Council managed	Medium	A. John Evens (car park policy review) Grant Ilett (summarised version in H&S Policy) B. Terry Ball (Parks and Open Space Policy) Grant Ilett (inserting Parks and Open Space	A. 30 September 21 B. 30 September 21 C. 30 November 21 D. 31 July 21	Council Comments: A. This Policy has been completed. IA Comments: We have been told that this has been completed but have not received the written policy to evidence this. We have requested an update on part B and D but have not received a response. C was not due as at the time of the follow up.

	<p>sites, and ensure a consistent approach to the monitoring of inspection processes is undertaken. The HSEPO should look to identify whether service areas are high, medium or low risk in relation to their need to conduct sufficient inspections (for example, open spaces, leisure and transport would be high risk, office based areas would be low risk)</p> <p>D. Ensure that policies developed, in particular relating to Open Spaces, include sufficient processes for addressing any defects noted. Specific time frames and guidance for prioritising work on defects should be included, for example RAG ratings could be used to indicate severity of observed defects.</p>		<p>Policy into H&S Policy)</p> <p>C. Grant Ilett</p> <p>D. Terry Ball</p>		
20/21 - Health and Safety	<p>A. Service Area Managers should be reminded of their responsibility to ensure risk assessments in their area have been signed-off and are reviewed at the required date</p> <p>B. All mitigating actions which remain outstanding should be identified, the appropriate action undertaken (eg training, purchase of personal alarms) and signed off as complete.</p>	Medium	<p>A. Grant Ilett</p> <p>B. Heads of Service (through part A)</p>	<p>A. 31 July 2021</p> <p>B. 31 December 2021 (not due)</p>	<p>IA Comments:</p> <p>We have not received an update.</p>
20/21 - Commercialisation	<p>A) There should be a detailed review of the quote conversion rate, looking at the reasons behind non-conversion rather than just the figures, with plans to address issues included in the meeting as a standing item</p> <p>B) Minutes should be taken or an action plan established to detail steps decided upon</p>	Medium	Mel Cryer	31/07/2021	<p>IA Comments:</p> <p>We have not received an update.</p>
20/21 - Commercialisation	A) A formalised reporting structure should be established for commercial activities with agreed upon reports established which cover financial, operational and performance information.	Medium	Mel Cryer	31/07/2021	<p>IA Comments:</p> <p>We have not received an update.</p>

B) Minutes, or at a minimum action logs, should be kept for meetings to ensure an adequate audit trail of monitoring is established and improvement actions are recorded and reviewed.

RECOMMENDATIONS: OVERDUE

These recommendations have been marked as overdue as they have previously revised their implementation date. Therefore, they have now missed at least two implementation dates.

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUE DATE	CURRENT PROGRESS
19/20 - Leisure Centres	All Health & Safety checks will be undertaken internally or externally within the set timeframes agreed in the Council's Policy. This will be communicated to all Leisure Centre staff.	Medium	Andy Fretwell	30/04/2020 29/02/2021 31/07/2021 31/05/2022	Council Comments: All fire risk assessments and health & safety inspections, with the exception of Richard Herrod, have been undertaken. Richard Herrod's will not take place until the centre has finished the decommissioning phase from being a vaccination centre. IA Comments: This recommendation is almost complete. We will follow up again for the June 2022 Audit Committee.
19/20 - Corporate Governance	The Council will put in place a system for declarations of interests to be completed by all staff initially and going forward by all new staff on appointment. All members of staff who have responsibilities for ordering goods and services will be required to confirm their interests annually. Monitoring will be undertaken to ensure that a current declarations of interests is in place.	Medium	Francesca Whyley	30/12/2020 01/09/2021 31/03/2022	Council Comments: This action has not progressed to completion due to work pressures. This is still due to be completed in this financial year. IA Comments: This is not complete.
19/20 - IT General Controls	Management will ensure that the IT Strategy is reviewed and updated to support the delivery of the overarching Corporate Digital Strategy which will be developed following sign off of the overall Gedling Plan.	Medium	Paul Adcock	30/09/2020 31/01/2021 31/03/2022	Council Comments: Council has engaged an external third party company (Meritec) to undertake a review (currently underway) of the Council's current ICT service provision and help devise a way forward. This is intended to provide a provide a basis for the production of a new IT Strategy. IA Comments: This is not complete. This was also raised as a finding in the 2021/22 IT Architecture review.

Page 119	19/20 - IT General Controls	Management will ensure that the Information Security Policy updates are completed and approved.	Low	Paul Adcock	31/03/2020 31/12/2020 31/03/2022	<p>Council Comments:</p> <p>Updated draft produced by ICT Research and Development Manager in April 2021. A review by Head of Finance and ICT has commenced. Intended to be discussed at next Data Security Group meeting in January 2022 before being formally adopted.</p> <p>IA Comments:</p> <p>We have received a copy of the updated draft policy. This is awaiting approval from DSG in January.</p>
	19/20 - IT General Controls	Management will conduct a risk assessment of the sites hosting critical IT infrastructure to formally consider the adequacy of physical and environmental controls.	Low	Paul Adcock	30/09/2020 31/01/2021 31/03/2022	<p>Council Comments:</p> <p>The Property Services Officer will be requested to undertake a risk assessment of the physical locations where ICT assets are based to identify any controls that need to be enhanced.</p> <p>IA Comments:</p> <p>This is not complete.</p>
	20/21 - Council Tax and NNDR	<p>A. The Revenues team should be reminded of their responsibility in recording sufficient information on the account holders' eligibility for tax reduction</p> <p>B. Regular spot checks should be undertaken on the accounts with tax reduction applied to ensure the end of eligibility can be identified in a timely manner</p> <p>C. Reports on key data fields such as age should be run monthly to ensure proactive checks are done with actions taken.</p>	Low	Andrew Solley	31/12/2020 30/09/2021 31/03/2022	<p>Council Comments:</p> <p>A. Complete - officers have been reminded to record sufficient information when setting up council tax liabilities. - COMPLETE, EVIDENCE RECEIVED</p> <p>B. Overdue - This would normally be undertaken by reviews on occupied exemptions. This work cannot be undertaken at the moment as there is not sufficient resource to allow this.</p> <p>C. Overdue - This would normally be undertaken by reviews on occupied exemptions. This work cannot be undertaken at the moment as there is not sufficient resource to allow this.</p> <p>IA Comments:</p> <p>We have received evidence for part A. However, parts B&C are not yet implemented. The responsible officer has stated a deadline of 31 March 2022 is reasonable.</p>
	20/21 - Cyber Risk	<p>A. Management should ensure that physical network ports are configured to the appropriate authentication control (802.1X).</p> <p>B. Management should establish a network access control to block unknown or unauthorised devices</p>	Medium	Paul Adcock	31/03/2021 30/09/2021 31/03/2022	<p>Council Comments:</p> <p>The Cyber Risk Register has not undergone a formal review since 2018. This is to be addressed as a priority and will include reference to the mitigations in place given that we don't have a network access control (NAC) system. The Cyber Risk Register will then be presented to the Senior Leadership Team.</p>

	from connecting to the Council's IT network. This should include restricting the ability to physically connect to the Council's IT network.				IA Comments: This is not complete.
20/21 - Budget Management	We recommend that a formal sign-off process be introduced for the Heads of Service to evidence their agreement to the final budget, once this has been approved by Senior Leadership and Cabinet. This approval should include the Efficiency Programme and any Capital arrangements for that service area.	Low	Tina Adams	28/02/2021 30/09/2021 31/03/2022	Council Comments: The budget papers have been updated for sign off by Heads of Service, but due to the additional Covid related pressures and work we have not had the chance to go through the budgets with each Head of Service. We have decided that the Quarter 1 monitoring would give an ideal opportunity to go through the budgets in detail so the signoff will be delayed until July 2021 for 2021/22 budgets. For subsequent budgets sign off will be prior to budgets being approved by Council. IA Comments: The budget papers have been updated to include sign off by heads of service but this is not yet rolled out and operating in practice.

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Report to Audit Committee

Subject: Corporate Risk Management Scorecard Quarter 2 2021/22

Date: 14 December 2021

Author: Director of Corporate Resources and Section 151 Officer

1. Purpose of the Report

To update members of the Audit Committee on the current level of assurance that can be provided against each corporate risk.

Recommendations:

That Members:

- Note the progress of actions identified within the Corporate Risk Register.

2. Background

The current Risk Management Strategy & Framework was last considered and approved by the Cabinet in October 2017.

The purpose of the Strategy and Framework is to define how risks are managed by the Council. It provides guidance on the processes, procedures, roles and responsibilities for risk, and it sets out the context on how risks are to be managed. It defines the key role for the Audit Committee as providing independent assurance to the Council with regard to the effectiveness of the risk management framework and the associated control environment. This includes the monitoring of the framework and ensuring the implementation of all audit actions.

The Corporate Risk Register is a key enabler of the Strategy and Framework, and provides assurance on the key risks identified as corporate risks.

Existing risks identified within both the Council's corporate and operational service risk registers are subject to quarterly review by senior management and on an ongoing basis through the work of Internal Audit.

3. Corporate Risk Register

This approach has meant that some of the risks included within the corporate risk register have been set at a relatively high score with the expectation that as mitigation measures are properly recorded or actions taken, then these risks should start to improve over the coming months. This is not to say that all risks will return to 'green', as mitigation measures can only go so far, and some risks may always be inherently 'red' or 'amber' as the score reflects the potential impact on the Council and the likelihood of that event occurring.

The Corporate Risk Register and supporting comments as at the end of September 2021 are appended to this report, and this includes a summary of all control gaps currently identified on the Council's Corporate Risk Register.

The last update of the Corporate Risk Scorecard was presented to Audit Committee on 21 September 2021 which provided the 2021/22 quarter 1 position.

Members are fully aware of the risks arising from the national outbreak of the coronavirus, Covid-19 which have been fully reported to all Members of the Council including the budget and performance reports, the Annual Governance Statement and previous Risk Management Scorecard reports to this Committee. The impact is ongoing and, as at quarter 2, has been updated in the risk register.

4. Financial Implications

None arising directly from this report.

5. Legal Implications

None arising directly from this report.

6. Equalities Implications

None arising directly from this report.

7. Carbon Reduction/Environmental Sustainability Implications

None arising directly from this report.

8. Appendices

Appendix 1 - Corporate Risk Register Monitoring – Quarter 2, Period Ending 30 September 2021

Appendix 2 - Risk Management Scoring Matrix

Statutory Officer Approval

Approved by: Chief Financial Officer
Date: December 2021

Approved by: Monitoring Officer
Date: December 2021

Appendix 1 - Corporate Risk Register Monitoring – Quarter 2 – Period Ending 30 September 2021

1	<p>FAILURE TO PREVENT BUDGET OVERHEATING ONCE THE BUDGET HAS BEEN SET</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – REDUCTION in current risk level from B1 (low likelihood, negligible impact) to C3 (significant likelihood, serious impact)</p> <p>Definition:</p> <p><i>Shorter term implications of overspending budgets or not collecting as much income as forecasted. This can cause adverse impact on Council balances.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> The quarter 2 budget monitoring position was reported to Cabinet on 4 November 2021 showing a projected overspend of £59K for the year that will need to be met by a transfer from reserves. The overspend was primarily due to additional staffing costs required to support the delivery of services. Prevailing economic conditions in terms of price inflation and supply chain risks present an emerging risk to the budget which will continue to be monitored closely and reported to Cabinet as part of the usual quarterly performance reports.
2	<p>FAILURE TO MAINTAIN FINANCIAL INTEGRITY</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: RED – NO CHANGE to current risk level (maintained at E4 very high likelihood/major impact £500k to £1m).</p> <p>Definition:</p> <p><i>Affecting the ability of the Council to meet its financial commitments in the longer term.</i></p>

	<p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Critical - £1m+</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>The Council's financial position remains extremely challenging and future funding remains uncertain.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • The Efficiency Programme progress update was reported to Cabinet on 4 November 2021. Efficiencies of £1.266m are due to be delivered from 2021/22 to 2024/25 and delivery continues to be broadly in line with expectations. • The main financial risk issues as detailed in the 2021/22 quarter 1 report continue to be relevant and the current assessed risk level is likely to continue until progress with the delivery of the efficiency programme is evident and secured, ongoing Covid impacts are clearer and there is more certainty over the future of local government funding. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Assess and address any significant items in the Chancellor's Autumn Budget and Spending Review announced on 27 October 2021 and update the Medium Term Financial Plan following receipt of the local government finance settlement. • Implementation of Advertising, Sponsorship and Marketing strategies to generate additional funding; • Development of a Procurement and Contract Management Strategy to ensure value for money in purchasing.
3	<p>FAILURE TO PROTECT STAFF, INCLUDING HEALTH & SAFETY ISSUES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact)</p> <p>Definition:</p> <p><i>Ineffective systems, processes and equipment that can present danger to individuals or groups of employees.</i></p>

	<p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life/major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Risk assessment task management reports are now generated for Senior Leadership Team (SLT) each quarter. • Covid-19 Step 4 risk assessments have superseded previous re-occupation risk assessments. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Completion of Civic Centre emergency evacuation template. • Rollout of emergency evacuation templates to Depot, community centres and leisure centres. • Transfer all completed risk assessments on to the e-system.
4	<p>FAILURE TO RECRUIT AND RETAIN STAFF, AND MAINTAINING INTERNAL CAPACITY</p> <p>Owner: Alison Ball (David Archer)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C2 significant likelihood/minor impact).</p> <p>Definition:</p> <p><i>Associated with the particular nature of each profession, internal protocols, managerial abilities, and sickness levels.</i></p> <p>Key Risk Driver: Service Provision</p> <p>Raw Risk Value: Serious – Significant elements of a service suspended / reduced</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>As a consequence of budget pressures, decreasing workforce, increasing workload and higher customer expectations we are seeing an impact on capacity and resilience which may result in a potential reduction in performance. The difficulties in the wider economy in</p>

	<p>recruiting staff to address skills shortages in key areas are likely to affect the Council and this will need to be monitored carefully. Work is needed to help improve organisational capacity and resilience by developing the skills and abilities of key leaders and staff.</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Business case for the provision of IT equipment required to facilitate full agile working has been approved. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Progress with phase 3 of the staffing reorganisation. • Recruit to the vacant Corporate Director (Environment, Communities and Leisure) post. • Rollout the IT equipment required to facilitate full agile working.
5	<p>FAILURE TO PROPERLY UTILISE EXISTING ICT, REACT TO TECHNOLOGY CHANGES, AND PREVENT DATA LOSS</p> <p>Owner: Alison Ball (Paul Adcock)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE in current risk level (maintained at C3 significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>The capacity of the Council to deal with the pace / scale of technological change, or its ability to use technology to address changing demands. Challenges over the security, storage and retention of both electronic and manual records, and data.</i></p> <p>Key Risk Driver: Objectives</p> <p>Raw Risk Value: Major – Directorate objectives not met</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Following finalisation of a confidentiality agreement, an external third party has commenced a review of the ICT service to evaluate current service provision and ensure service is adequately resourced (in both numbers and expertise) to meet current and anticipated future demands.

	<ul style="list-style-type: none"> Budget from vacant IT Technical Officer post now being used for additional overtime, contractors and agency staff to address key work demands. Confirmation has been received from the Cabinet Office that the Council's IT infrastructure is sufficiently secure to connect to the Public Services Network (PSN) until August 2022. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> Produce a new IT Strategy following the conclusion of the ICT service review. Produce a new Digital Strategy (replacing the now expired 2016-2019 version) after the ICT service review has been completed that aligns with the current and future Gedling Plan. Finalise the cyber risk register as recommended following the internal audit reported to Audit Committee in March 2021. Review and update the Information Security Policy.
6	<p>FAILURE TO PROTECT & UTILISE PHYSICAL ASSETS</p> <p>Owner: Mike Hill (Head of Regeneration and Welfare)</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>Buildings that are fit for purpose, safe, secure, and meet legislative requirements for fire, asbestos, and water-testing. Land, buildings and other assets to be recorded on a database.</i></p> <p>Key Risk Driver: Health & Safety</p> <p>Raw Risk Value: Major – Loss of life / major illness</p> <p>Corporate Risk Register Outstanding Controls:</p> <p>Illness and staff turnover have resulted in delays to the condition surveys of all Council owned property as well as the transfer of repairs and fire, asbestos and water testing to Property Services plus the updating of the Asset Management Plan.</p> <p><u>Actions completed during quarter 2:</u></p>

	<ul style="list-style-type: none"> • The general condition surveys of Council Buildings and Suitability and Sufficiency surveys are ongoing. • Responsibility for property repairs and fire, asbestos and water testing are being transferred to Property Services. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Complete the asset condition and suitability surveys. • Produce a new Asset Management Plan. • Seek approval for and implement the actions arising from the Counter Terrorism Review. • Assess options for permanent solution to Mapperley Rail Tunnel access issues.
7	<p>FAILURE TO REACT TO CHANGES IN LEGISLATION</p> <p>Owner: Fran Whyley</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at C3 significant likelihood/serious impact).</p> <p>Definition:</p> <p><i>Associated with current or potential changes in national or European law which can lead to possible breaches of legislation. Assessing the wider implications of new legislation on both the Council and its residents.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Major - £500k - £1m</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • The Housing Benefit caseload continues to drop at a steady pace (linked to the introduction of Universal Credit) and the caseload is monitored. • The Brazel case concerning annual leave and associated payments for irregular (eg. casual) workers still awaits a decision from the Supreme Court. No other local district councils have, as yet, reviewed their methods of calculating such

	<p>entitlements. All have confirmed that they await the Supreme Court decision before they plan to reconsider due to the scale of the calculation task (one-off and ongoing).</p> <ul style="list-style-type: none"> • Temporary Health and Safety support has been extended to assist with occupational health work and to help clear an external training backlog. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Address any implications from the Supreme Court decision in the Brazel case. This may have consequences for all employers nationally.
8	<p>FAILURE OF CONTRACTORS OR PARTNERSHIP ARRANGEMENTS – CONTRACTUAL BREACHES</p> <p>Owner: Alison Ball</p> <p>Current Risk and Direction of Travel: AMBER – NO CHANGE to current risk level (maintained at B3 low likelihood/serious impact).</p> <p>Definition:</p> <p><i>Associated with the failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • Manual version of contracts register has been brought up to date. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • Implementation of the automated contracts register in the procurement system. The system provider is to provide training. A manual version of the contracts register is in place and therefore there are no compliance issues at present.

	<ul style="list-style-type: none"> Review guidance issued to those staff managing contractors during the Covid-19 pandemic to reflect the Government's lifting of restrictions.
9	<p>INABILITY TO DEFEND ONE-OFF CHALLENGES TO A COUNCIL DECISION OR NEW COMPENSATION TREND EMERGES</p> <p>Owner: Fran Whyley</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at A3 very low likelihood/serious impact).</p> <p>Definition:</p> <p><i>Councils are increasingly vulnerable to judicial reviews and new compensation claims.</i></p> <p>Key Risk Driver: Financial Impact</p> <p>Raw Risk Value: Serious - £50k - £500k</p> <p>Corporate Risk Register Outstanding Controls: <u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> No outstanding actions <p><u>Actions outstanding:</u></p> <p>There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk (however a link to an action outstanding corporate risk 7 is recognised i.e. the Supreme Court case considering annual leave and associated payment for irregular workers)</p>
10	<p>FAILURE TO MAINTAIN SERVICE STANDARDS, CUSTOMER SATISFACTION, AND/OR MEET CUSTOMER EXPECTATIONS</p> <p>Owner: Alison Ball (Fran Whyley)</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE in current risk level (maintained at B2 low likelihood, minor impact).</p> <p>Definition:</p> <p><i>Related to channel shift to more digital on-line services but retaining the availability of face-to-face services. Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.</i></p>

	<p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> Monitoring of the potential ongoing impact of Covid-19 on customer service standard indicates that customer call response remains high, service standards remain good and complaints are low. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> To continue complaints monitoring in respect of the ongoing impact of Covid-19 on service levels. Monitor and respond as necessary to impact upon the Council of staffing shortages in key areas.
11	<p>FAILURE TO PREVENT DAMAGE TO THE COUNCIL'S REPUTATION</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</p> <p>Definition:</p> <p><i>Related to the Council's reaction to a specific event or issue, or generally a downturn in quality of service.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> No outstanding actions. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> There are currently no outstanding control gaps in the strategic or operational risk registers relating to this corporate risk.

12	<p>FAILURE TO REACT TO AN ENVIRONMENTAL INCIDENT OR MALICIOUS ACT</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN – NO CHANGE to current risk level (maintained at B1 low likelihood, negligible impact).</p> <p>Definition:</p> <p><i>Council reaction to a natural occurrence e.g. widespread flooding, or other events such as fire and explosions.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Major – Adverse national publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • No outstanding actions. <p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> • No outstanding actions.
13	<p>FAILURE TO REACT TO SOCIO-ECONOMIC TRENDS</p> <p>Owner: Mike Hill</p> <p>Current Risk and Direction of Travel: GREEN - NO CHANGE to current risk level (maintained at B2 low likelihood/minor impact).</p> <p>Definition:</p> <p><i>Relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to meet its objectives.</i></p> <p>Key Risk Driver: Reputation</p> <p>Raw Risk Value: Serious– Adverse regional publicity</p> <p>Corporate Risk Register Outstanding Controls:</p> <p><u>Actions completed during quarter 2:</u></p> <ul style="list-style-type: none"> • No outstanding actions.

	<p><u>Actions outstanding:</u></p> <ul style="list-style-type: none"> To undertake a 'Visioning' exercise to identify longer term forecasts for socio-economic trends and how these will be reflected in the longer term priorities for the Council to ensure services can meet future needs within available resources.
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HIGH RISK AUDIT RECOMMENDATIONS RAISED IN PREVIOUS YEARS BUT NOT YET IMPLEMENTED:

There are no high risk audit recommendations from previous years that have not been addressed and implemented.

HIGH RISK AUDIT RECOMMENDATIONS RAISED IN THIS FINANCIAL YEAR:

There has been 1 high risk recommendation reported to date during 2021/22, which was included in the Commercialisation audit which was reported to Audit Committee in the Internal Audit Progress Report on 29 June 2021. The recommendation is considered further in another report on this agenda.

APPENDIX 2 - RISK MANAGEMENT SCORING MATRIX

Likelihood	Very High	E				2		
	High	D						
	Significant	C		4	1,5, 6, 7			
	Low	B	12	10, 11,13	3,8,			
	Very Low	A			9			
			1	2	3	4	5	
			Negligible	Minor	Serious	Major	Critical	
			Impact					



Report to Audit Committee

Subject: Accounting Policies 2020/21

Date: 14 December 2021

Author: Director of Corporate Resources and Section 151 Officer

1. Purpose of the Report

To allow Members of the Audit Committee to consider and approve the accounting policies applied in the production of the 2020/21 financial statements.

Recommendations:

That Members:

- Approve the accounting policies 2020/21 as set out in the appendix.

2. Background

It is considered good practice for Members to be given the opportunity to discuss and comment upon the accounting policies used in the production of the financial statements. As the external audit of the Council's draft Statement of Accounts 2020/21 is currently in progress, the accounting policies used in the production of the financial statements for 2020/21 are set out in the appendix for Members to consider.

These accounting policies have been applied to the treatment of all transactions that make up the draft Statement of Accounts 2020/21 to ensure that the accounts presented a true and fair view of the financial position of the Council as at 31 March 2021.

The draft Statement of Accounts 2020/21 has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 (the Code) based upon International Financial Reporting Standards. There were no changes introduced by the Code that required a change to the accounting policies and they remain in substance the same as those used for the production of the 2019/20 financial statements.

The accounting policies to be used in the production of the financial statements for 2021/22 will be presented to the Audit Committee on 15 March 2022 for consideration and approval along with details of any changes introduced by the Code for 2021/22 and how they impact upon the Council's accounting policies.

4. Financial Implications

None arising directly from this report.

5. Legal Implications

None arising directly from this report.

6. Equalities Implications

None arising directly from this report.

7. Carbon Reduction/Environmental Sustainability Implications

None arising directly from this report.

8. Appendices

Proposed Accounting Policies 2020/21

Accounting Policies 2020/21

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2020/21 financial year and its position at the year end of 31 March 2021. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with the proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code), supported by 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.

The Statement of Accounts has been prepared on a going concern basis. As required by IAS1, it has been assumed that the Council will continue in operation for the foreseeable future.

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 the sale of goods or services is recognised in accordance with the terms and conditions of 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 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 has 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 it is doubtful that debts will be settled, the balance is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to electricity and similar quarterly payments, which are charged at the date of meter readings rather than being apportioned between financial years. This policy is consistently applied each year and is unlikely to have a material effect on the year's accounts.

3. Cash and Cash Equivalents

Cash is represented by cash in hand at the bank, cash in transit and imprest amounts. Cash equivalents are represented by deposits held in Business Reserve accounts and Money Market Funds that are repayable at call without penalty. They are readily convertible to known amounts of cash with insignificant risk of change in value. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

All deposits held for fixed periods, however short, are classed as short-term investments, since they are not readily convertible to cash as they cannot be broken without the payment of penalties.

4. Exceptional items

When items of income and expenditure are material, their nature and amount are 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 the 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, ie. 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 Authority'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

Services, support services and trading accounts are debited with the following amounts to record the 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 Reserve against which the losses can be written off;
- Amortisation of intangible fixed assets attributable to the service.

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

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require local authorities to approve an MRP policy at the beginning of each financial year, determining how the amount to be set aside for the repayment of principal on outstanding debt is to be calculated. This policy is included in the Treasury Management Strategy Statement for 2020/21, which was approved by Council on 5 March 2020.

7. Employee Benefits

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non monetary benefits for current employees and are recognised as an expense for services in the year which employees render service to the authority. An accrual is made for the estimated cost of holiday entitlements (or any form of leave, eg time off in lieu) 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 in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service segment or, where applicable, to a corporate service segment for non-distributed costs in the Comprehensive Income and Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the authority 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 Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserve Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

Employees of the Authority are members of The Local Government Pensions Scheme, administered by Nottinghamshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions) earned as employees worked for the Authority.

The Local Government Pension Scheme

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 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 Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

8. Events After the Balance Sheet Date

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

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

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

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially 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 rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For all the Authority's borrowings, 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. 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 not undertaken any repurchase or early settlement of borrowing during 2020/21.

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 cash flow characteristics. There are three main classes of financial assets measure at:

- Amortised cost;
- Fair value through profit and 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, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost 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.

These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the Authority has provided car loans to employees at less than market rates (soft loans). In normal circumstances soft loans would be recognised and measured in the accounts at fair value, in accordance with the Code. However, car loans to employees have been considered at length and it has been concluded that the sum outstanding is not material. Accordingly, no additional calculations for fair value have been undertaken and car loans are recognised at the value of the sums loaned less repayments made.

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

Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised costs, either on a 12-month or lifetime basis. Only lifetime losses are recognised for trade 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 the 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.

Changes in loss allowances (including balances outstanding at the date of de-recognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised in the Balance Sheet when the authority becomes a party to contractual provisions of a financial instrument and are initially measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement as they occur.

The Authority holds an investment in the CCLA property fund (a pooled investment fund) which is classified as FVPL. Gains and losses on the fund must now be charged to the Comprehensive Income and Expenditure Statement, however a statutory override effective until 31 March 2023 requires that gains and losses on pooled investment funds must be reversed out through the Movement in Reserves Statement to the Pooled Investment Funds Adjustment Account.

Fair Value through Other Comprehensive Income (FVOCI)

These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the Comprehensive Income and Expenditure Statement when the asset is disposed of. The Authority did not hold any FVOCI instruments during 2020/21.

10. Foreign Currency Conversion

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are converted at the European Central Bank Reference Rate applicable at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11. 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 Authority when there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments and;
- The grants or contributions will be received.

Amounts recognised as due to the Authority 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 in the form of a 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.

Community Infrastructure Levy

The Authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds (chargeable developments for the authority) with appropriate planning consent. The Council charges for and collects the levy, which is a planning charge. The income from the levy will be used to fund a number of infrastructure projects to support the development of the area.

CIL is received without outstanding conditions; it is therefore recognised at the commencement date of the chargeable development in the Comprehensive Income and Expenditure Statement in accordance with the accounting policy for government grants and contributions set out above. CIL charges are largely used to fund capital expenditure. However, a small proportion of the charges for this authority may be used to fund revenue expenditure and to meet administrative expenses.

12. Intangible Assets

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

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible assets held by the Authority meets the criterion and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

13. Inventories

Inventories included in the Balance Sheet are valued at last price paid.

Stocks and stores held in the Authority's depot and leisure centres at the year end are valued at the latest price paid. This is a departure from the requirements of the Code which require stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is not considered to be material. Work in progress on uncompleted jobs is valued at the lower of cost or net realisable value.

14. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, 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 values are revalued annually and are reviewed at year-end according to the market conditions. 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.

Investment property that meets the classification criteria for assets held for sale with a realistic expectation of disposal within the next financial year will be re-classified as Held-for-Sale Investment Property in Current Assets.

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 or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings element 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. The Authority did not have any arrangements of this type during 2020/21.

The Authority as Lessee:

Finance Leases

Property, Plant and Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The Authority operates a de minimis level of £5,000 in recognising and valuing assets acquired under finance lease. The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability and,
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, plant and equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of any adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

The Authority does not currently have any finance leases as lessee in excess of the de-minimis level.

Operating Leases

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

The Authority as Lessor:

Finance Leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal) matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received) and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

The Authority does not currently have any finance leases as lessor.

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the balance sheet. Rental income is credited to the appropriate service revenue account in the Net Cost of Services in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease.

A new standard with respect to leasing is due to come into effect on 1 April 2022 (IFRS16) which will change the accounting treatment of finance and operating leases. The Council is assessing the implications of this, but considers it unlikely that the impact will be material.

16. Overheads and Support Services

The costs 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 production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment. The Authority operates a de minimis level of £5,000 in recognising and valuing assets.

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 authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (ie. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

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

Where decreases in value are identified, they are accounted for as follows:

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

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

Impairment

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

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against the balance (up to the amount of the accumulated gains);
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Depreciation is calculated on the following bases:

- Buildings – straight line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – straight-line allocation over useful life of the asset as advised by a suitably qualified officer;
- Infrastructure – straight line allocation over estimated useful life.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

Disposals and Non-Current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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 Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserve Statement.

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

18. Provisions, Contingent Liabilities and Contingent Assets and Reserves

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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 carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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.

Contingent Assets

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

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

Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred 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.

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

19. 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 a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

20. **VAT**

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

21. **Fair Value Measurement**

The Authority measures some of its non-financial assets i.e. investment assets and 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 participants ability to generate economic benefits by using the asset in its highest and best use 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 a fair value measurement are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices in active market 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.

22. Collection Fund

As a billing authority, Gedling Borough Council is required to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and non-domestic rates (NDR). The Council acts as an agent, collecting and distributing council tax and NDR income on behalf of the major preceptors (including central government for NDR) and, as principals, collecting council tax and NDR for themselves. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risk and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the fund and which are outside it.

Gedling's share of non-domestic rating income and its own council tax demand are paid out of the Collection Fund and credited to the Comprehensive Income and Expenditure Statement (CIES). The transactions presented in the Collection Fund Statement are limited to the cash flows permitted by statute for the financial year, however each authority will recognise income on a full accruals basis, ie. sharing out in full the surplus or deficit on the Collection Fund at the end of the year, even though it will be distributed to, or recovered from, the relevant authorities in a subsequent financial year. The difference between the accrued income included in the CIES and the estimated income share or demand is reversed out via the Movement in Reserves Statement, and transferred to the Collection Fund Adjustment Account.

There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the balance sheets of the billing authority, central government, and precepting authorities. In Gedling's accounts this is represented by the establishment of a debtor or creditor position with each organisation for the difference between the preceptors' and central government's share of business rates income or council tax demand and the cash collected, and settlement of the surplus/deficit on the Collection Fund.

Gedling's Balance Sheet includes the authority's share of the year end balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals. Where debtor balances are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made (fixed or determinable payments), the asset is written down and a charge made to the Collection Fund. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

As the billing authority, Gedling Borough Council's Cash Flow Statement includes in 'operating activities' only its own share of the council tax and non-domestic rating income collected with movements in the debtor/creditor position with preceptors and central government being included in the Cash Flow Statement as 'financing activities'.