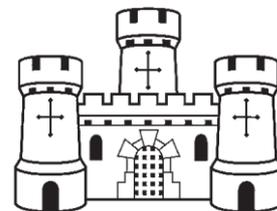


# Public Document Pack

**Date of meeting** Monday, 27th July, 2020  
**Time** 7.00 pm  
**Venue** Audit and Standards - Virtual Meeting - Conference  
**Contact** Denise French 742211



**NEWCASTLE  
UNDER LYME**

**BOROUGH COUNCIL**

Castle House  
Barracks Road  
Newcastle-under-Lyme  
Staffordshire  
ST5 1BL

## **Audit and Standards Committee**

### **AGENDA**

#### **PART 1 – OPEN AGENDA**

- 1 APOLOGIES**
- 2 DECLARATIONS OF INTEREST**  
To receive Declarations of Interest from Members on items included in the agenda
- 3 MINUTES OF PREVIOUS MEETING** **(Pages 5 - 10)**  
To consider the minutes of the previous meeting held on 1<sup>st</sup> May 2020.
- 4 DRAFT STATEMENT OF ACCOUNTS 2019/20** **(Pages 11 - 96)**
- 5 TREASURY MANAGEMENT ANNUAL REPORT 2019/20** **(Pages 97 - 106)**
- 6 ANNUAL GOVERNANCE STATEMENT** **(Pages 107 - 118)**
- 7 CORPORATE RISK MANAGEMENT REPORT** **(Pages 119 - 186)**
- 8 COUNTER FRAUD ARRANGEMENTS** **(Pages 187 - 228)**
- 9 ANNUAL HEALTH AND SAFETY REPORT 2019 - 2020** **(Pages 229 - 242)**
- 10 COMMITTEE WORK PLAN** **(Pages 243 - 244)**
- 11 URGENT BUSINESS**  
To consider any business which is urgent within the meaning of Section 100B(4) of the Local Government Act 1972

**Members:** Councillors Paul Waring (Chair), Kenneth Owen (Vice-Chair),  
Ms Sylvia Dymond, Ms Sarah Pickup, Mike Stubbs, Mrs Gillian Burnett and  
Barry Panter

**Members of the Council: If you identify any personal training/development requirements from any of the items included in this agenda or through issues raised during the meeting, please bring them to the attention of the Democratic Services Officer at the close of the meeting.**

**Meeting Quorums :- 16+= 5 Members; 10-15=4 Members; 5-9=3 Members; 5 or less = 2 Members.**

## **SUBSTITUTE MEMBER SCHEME (Appendix 9, Section 4 of Constitution)**

The Constitution provides for the appointment of Substitute members to attend Committees. The named Substitutes for this meeting are listed below:-

Substitute Members:	Mark Holland	Kyle Robinson
	Graham Hutton	Mrs Gillian Williams
	Andrew Parker	Bert Proctor

*If you are unable to attend this meeting and wish to appoint a Substitute to attend in your place you need go:*

- Identify a Substitute member from the list above who is able to attend on your behalf
- Notify the Chairman of the Committee (at least 24 hours before the meeting is due to take place) NB Only 2 Substitutes per political group are allowed for each meeting and your Chairman will advise you on whether that number has been reached

Officers will be in attendance prior to the meeting for informal discussions on agenda items.

## **WATCHING THE MEETING**

You can attend the meeting in the following ways:

<https://us02web.zoom.us/j/97762459738>

You can also use the Zoom App or telephone 0330 088 5830 or 0131 460 1196

The Conference ID for telephone and Zoom App users is: 977 6245 9738

You do not require a password or pre-registration to access this committee meeting.

Please note, as an attendee you will only be able to watch the meeting. You will not be able to vote, ask questions or discuss the materials presented to the committee.

### **Questions and Representations**

If you would like to ask a question or make a representation during the meeting, please inform our Committee Services team by emailing [denise.french@newcastle-staffs.gov.uk](mailto:denise.french@newcastle-staffs.gov.uk)

All requests to ask questions or make representations should be submitted two clear days before the meeting.

In your email, please include details of the item you would like to speak on and, if you are asking a question, the question itself. If you cannot be identified to ask your question during the meeting, the meeting Chairperson will ask the question for you.

## AUDIT AND STANDARDS COMMITTEE

Friday, 1st May, 2020

Time of Commencement: 2.00 pm

**Present:** Councillor Paul Waring (Chair)

**Councillors:** K. Owen M. Stubbs  
S. Pickup G. Burnett

**Officers:** Geoff Durham Mayor's Secretary / Member Support Officer  
Jan Willis Interim Executive Director - Resources and Support Services and Section 151 Officer  
Daniel Dickinson Head of Legal & Governance /Monitoring Officer  
Sarah Wilkes Head of Finance  
Nesta Barker Head of Environmental Health Services

**Also in Attendance** Clare Potts Head of Internal Audit (Stoke on Trent City Council)

**Note:** In line with Government directions on staying at home during the current stage of the CV-19 pandemic, this meeting was conducted by video conferencing in accordance with the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020.

### 1. **APOLOGIES**

Apologies were received from Councillors Dymond and Panter and Mr Butters (Keele University).

### 2. **DECLARATIONS OF INTEREST**

There were no declarations of interest stated.

### 3. **MINUTES OF PREVIOUS MEETING**

**Resolved:** That the minutes of the meeting held on 9 March, 2020 be agreed as a correct record.

### 4. **MATTERS ARISING FROM THE MINUTES**

ITEM 6- INTERNAL AUDIT PROGRESS REPORT

Councillor Stubbs had asked that an interim report on the Brexit Strategy be prepared and circulated to Members. The Chair confirmed that this had been done and Members indicated that they had all received a copy.

**5. INTERNAL AUDIT PLAN 2020/21**

The Head of Internal Audit at Stoke on Trent City Council, Claire Potts introduced a report informing Members of the proposed Internal Audit Plan for 2020/21 and to seek approval on its contents.

Members were advised that the Plan had been prepared prior to the Coronavirus outbreak and some revisions therefore may need to be made.

One of the risks associated with the production of the Plan was the inability to access people for discussions during the lockdown. The risk assessment could also be subject to change.

Members attention was drawn to paragraph 2.1 of the report and Appendix A of the report which outlined the work that would be carried out in 2020/21. The Plan had been produced at the beginning of March.

Some of the audits that had been deferred from 19/20 had been included in the new Plan.

Members were advised that the Draft Internal Audit Charter 2020/21, attached at Appendix B was the same as last year with some minor changes to reflect the revised arrangements for the provision of internal audit services.

Councillor Pickup enquired as to how relevant the Plan was in light of the current situation. Mrs Potts advised that, due to uncertainty as to when the lockdown would end, it could not be assessed. However, some of the work could be started at this stage. The Plan that was in existence at this point in time was the best one under the circumstances. The Plan would be kept under review and regular updates would be provided to the Committee.

Councillor Pickup referred to the Council's reserves of which some had been used and asked how much money had been received from the government.

Mrs Potts advised that this was covered in Appendix A under the Corporate heading of Financial Resilience which was on the Plan to be looked at.

Councillor Stubbs asked how the Committee could approve the schedule when there was uncertainty as to what may happen over the next few weeks, adding that it tied the Council to something that could change tomorrow.

Councillor Stubbs asked if a decision could legally be deferred as there was uncertainty as to what the Audit Plan would look like in the next few months.

The interim Executive Director for Resources and Support Services, Jan Willis advised that internal and external audits had differing remits and financial resilience would be one of the areas focussed upon by the external auditors. Internal audit focusses on key controls.

If the Council did not have an Audit Plan, even though it could be subject to change, all audit activity would be on hold. A lot of the Audit Plan covered core financial systems. One thing that could change may be how some of the audits are prioritised.

The Chair agreed that it was essential to have a starting point.

Councillor Stubbs stated that his concern was to the general public in that the only way they could be kept informed at present was through virtual meetings and published documents. Councillor Stubbs was happy to go forward but to add somewhere that statutory requirements would be done first. In addition, he asked that once a cost was known, could this Committee be notified.

- Resolved:**
- (i) That, in accordance with the Committee's terms of reference, the Internal Audit Plan for 2020/21, be approved.
  - (ii) That the Internal Audit Charter for 2020/21 which sets out how the plan will be delivered, be approved.
  - (iii) That the Committee receive quarterly reports on the delivery of the assignments within the plan and on the implementation of actions arising.

6. **REVIEW OF SCHEME OF DELEGATION FOR LOCAL GOVERNMENT (MISCELLANEOUS PROVISIONS) ACT 1976 AND TOWN POLICE CLAUSES ACT 1847**

The Head of Environmental Health Services, Nesta Barker introduced a report proposing an amendment to the Scheme of Delegation in respect of taxi and private hire licensing, which would allow officers to deal with certain types of applications not fully compliant with current licensing policy.

Members' attention was drawn to section 4 of the report which set out the proposal. Mrs Barker advised that this had been considered by the Licensing and Public Protection Committee and the Constitution and Member Support Working Group and both were in support of the proposal.

If this Committee was also in support, a report would be submitted to Full Council.

- Resolved:** That it be recommended to Council that this Committee supports the proposed amendments to the Scheme of Delegation.

7. **UPDATE ON PROPOSED CHANGES TO FINANCIAL REGULATIONS**

The Head of Legal and Governance / Monitoring Officer, Daniel Dickinson advised that this Committee had approved an update to the Financial Regulations on 9 March, 2020. It had been expected to take the item to Full Council on 1<sup>st</sup> April but, due to the Coronavirus outbreak that meeting was cancelled.

The update would therefore need to be adopted at the next Full Council meeting.

At present the Regulations show a lot of actions which the Executive Director of Resources and Support Services is authorised to carry out. These should be functions vested in the S151 Officer. Whilst the current Section 151 officer also happens to be the Executive Director, this isn't problematic. However, the Section 151 Officer need not be the Executive Director. That role could, in future, be discharged by some other officer. To future proof the Regulations should any changes to the role be made, the Monitoring Officer intended to change references to 'Executive Director' to "Section 151 Officer" instead when the report was presented to Council. He sought Member's approval, which was received.

**Resolved:** That the information be received.

**8. URGENT BUSINESS**

The following item was brought to this Committee at the approval of the Chair because it had been updated to reflect the current circumstances regarding the Coronavirus and it was important for this Committee to be kept informed.

**9. UPDATE TO AUDIT PLAN AND SCOPING LETTER**

An update to the Audit Plan and Scoping letter had been received to reflect issues raised by the Coronavirus outbreak. The Audit Plan had been approved prior to lockdown on 23 March.

The Plan that had been submitted now was exactly the same as the previously approved one except that it included more home working. In addition, risks have been added to reflect extra costs that all Councils across the country have had to meet.

Mr Javed Akhtar of Grant Thornton advised Members that no changes were proposed to the Audit fee.

Councillor Stubbs made reference to a statement made that value for money and costs would not change but added that in the letter stated that if there were changes, Grant Thornton would advise the Council. Councillor Stubbs felt that agreeing to this could give the Auditors the opportunity to increase costs if it was felt necessary.

The Chair stated that any proposed changes to fees would have to go to a monitoring board first. Mr Akhtar confirmed that any proposed fee changes would need to go through the PSSA.

Councillor Sweeney stated that at the previous meeting some Members had voted against a £7000 increase to the fee and asked what would happen if the Council was in dispute with the Auditors.

Mr Akhtar advised that the matter would be referred to the PSSA and the Council's case would be presented which could result in a renegotiation or a change of Auditors.

Councillor Pickup asked how realistic it was that the deadline to close last year's accounts would be met. Also, was there a penalty or extra audit work required.

Ms Willis advised that the timetable had been extended to complete and have the certificate of completion issued. The Council's Finance team were still working towards the agreed timetable and there was no reason to think that the deadline would not be met subject to external audit resource availability.

The Council's Head of Finance, Sarah Wilkes advised that the timetable could possibly slip a couple of weeks due to additional work that had arisen through the Coronavirus.

Ms Willes advised that a letter had been received from the PSSA confirming the scale of fees with additional items that had been agreed nationally.

Councillor Pickup asked what amount of notice would need to be given by Grant Thornton. The Chair advised that Grant Thornton would be expected to advise the Council before any work was done.

Mr Akhtar confirmed that if the need arose to do any extra work which resulted in a fee variation, they would negotiate with the Council's Section 151 Officer and then ask the Audit and Standards Committee to approve it.

Councillor Pickup stated that the Council had to pay extra audit fees last year and asked whether the Audit and Standards Committee had been made aware of that. The Chair was certain that the Committee had been advised but no figures were given.

Councillor Pickup stated that this Committee should be told of implications and costs as soon as possible even if it was through an email from the Chair.

The Chair agreed and advised that he would ensure that this was done in the future.

Councillor Stubbs appreciated that the current circumstances could result in Grant Thornton needing to carry out extra work. However, he raised concerns that, should a national audit be undertaken on how the Coronavirus crisis had been dealt with, there was nothing shown in the budget and it was still a significant cost to the Council.

**Resolved:** That the information be agreed and the comments noted.

**CLLR PAUL WARING**  
Chair

Meeting concluded at 2.55 pm

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**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S  
REPORT TO**

**Audit & Standards Committee**  
**27 July 2020**

**Report Title:** **Draft Statement of Accounts 2019/20**

**Submitted by:** **Head of Finance**

**Portfolios:** **Finance and Efficiency**

**Ward(s) affected:** **All**

**Purpose of the Report**

To report upon the provisional financial outturn for 2019/20. The report highlights key issues arising, including a commentary on the General Fund outturn, the Collection Fund and the Council's reserves.

**Recommendation**

**That**

- 1. The provisional General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2020 be noted.**

**Reasons**

Regular reporting of the Council's financial position is a key discipline supporting sound financial management and corporate governance.

**1. Background**

- 1.1 In response to the Covid-19 crisis, the Secretary of State has announced, per the Accounts and Audit Regulations (Coronavirus Amendment) 2020 that for the 2019/20 accounting period the period of publication of authority accounts is to be extended from 30 September to 30 November 2020.
- 1.2 The Accounts and Audit Regulations 2015 govern the way in which a local authority should present its financial affairs. The regulations require the Council to produce a statement of accounts for the financial year detailing its financial transactions for the year and its position at the year end and that this Statement be scrutinised and approved by an appropriate committee, in this case the Audit and Standards Committee. The Statement is produced in a standardised form in line with CIPFA (the Chartered Institute of Public Finance and Accountancy) guidelines. They set out procedures which must be followed with regard to public inspection rights, audit, approval and publication of the statement.
- 1.3 The Regulations require the draft Statement of Accounts to be certified by the responsible financial officer, the Executive Director (Resources and Support Services), as presenting a true and fair view of the Council's financial position by 31 August and this was done on 17 July 2020. On presentation to the committee for approval the final audited version of the Statement of Accounts will be recertified by her. The period during which the public have the right to inspect the accounts commenced on 17 July 2020 and closes on 28 August 2020.

- 1.4 The external audit of the 2019/20 Statement of Accounts is planned to commence in July leading up to the production of the auditor's final audit findings report.
- 1.5 The audited Statement of Accounts will be submitted to the Committee for formal approval at the 9 November meeting, when members can concentrate on reviewing an audited rather than draft Statement of Accounts. Should members wish to view the draft Statement of Accounts at this stage it is included as an appendix to this report.
- 1.6 This report consists of commentary on the General Fund outturn and information and explanations in respect of key areas in relation to the financial position at 31 March 2020.
- 1.7 The Statement of Accounts include the Annual Governance Statement, the Accounts and Audit Regulations 2015 require it to be published at the same time that the Statement of Accounts is first published for public inspection purposes.

## 2. Issues

### The General Fund Budget

- 2.1 The General Fund is the main revenue account of the Council and relates to all of those services which are funded by the Council Tax, Retained Business Rates and Revenue Support Grant from the Government.
- 2.2 The budget for the General Fund for 2019/20 was originally set on 20 February 2019 and amounted to a net total of £13.050m. The outturn for the year was an adverse variance against this figure of £0.207m.

### The General Fund Outturn

- 2.3 As highlighted in quarterly financial monitoring reports throughout the year, there were adverse variances against a number of budgets, the most significant of which were as follows:

Item	Additional expenditure
	£000s
Jubilee 2	
- <i>Income shortfall of £0.140m excluding COVID-19 impact</i>	219
- <i>Employee costs adverse variance of £0.085m re. sickness and additional holiday pay</i>	
Car Parking	
- <i>Income shortfall of £0.208m excluding COVID-19 impact</i>	274
- <i>Non-receipt of Bemrose Booth contribution £0.050m</i>	
Planning Application Fees	
- <i>Income shortfall due to decreased major applications</i>	136
Interim Staff	
- <i>Net cost of the provision of interim management staff throughout the year to address capacity issues. The vast majority of these posts have now been recruited to permanently</i>	282
Housing Benefits Payments	

- <i>Costs of accommodation for the homeless and vulnerable for which the Council cannot claim the full amount via Housing Benefit subsidy</i>	374
<b>COVID-19 Related Adverse Variances</b>	
- <i>Jubilee 2 loss of income re swimming lessons and cash income following closure during March (£0.85m)</i>	
- <i>Car Parking loss of income due to free parking offered during March (£0.012m)</i>	
- <i>Licensing loss of income regarding applications put on hold (£20k)</i>	
- <i>Court summons loss of income due to hold on recovery action (£79k)</i>	
- <i>Investment in ICT equipment re homeworking (£12k)</i>	
<b>Total</b>	<b>1,492</b>

2.4 These adverse variances were largely offset by favourable variances on other budget heads, the more significant of which were:

<b>Item</b>	<b>Saving or additional income</b>
	£000s
<b>Additional Income:</b>	
- <i>Business Rates Pilot income</i>	115
<b>Staffing Efficiencies:</b>	
- <i>Revenues and Benefits staff vacancies</i>	169
- <i>Streetscene staff vacancies</i>	88
<b>Corporate:</b>	
- <i>Credit from HMRC re. historical payments</i>	264
- <i>Contributions to reserves budgeted but not undertaken</i>	202
- <i>Project expenditure met from capital resources</i>	382
- <i>Allocation of staff time to capital grants</i>	65
<b>Total</b>	<b>1,285</b>

2.5 A sum of £207k has been transferred from the General Fund Reserve in respect of the overall adverse variance for 2019/20.

### **Flexible Use of Capital Receipts**

2.6 The Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £0.500m of capital receipts in each of the financial years 2018/19 and 2019/20. The flexible use of capital receipts has been utilised in 2019/20 for expenditure to a value of £0.500m that meets the eligibility criteria, in that it relates to initiatives (Digital Delivery - £0.128m, New Recycling Services - £0.135m, Green Waste Service - £0.037m, Restructuring £0.200m), that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

## The Collection Fund

- 2.7 The Collection Fund (page 66 in the draft Statement of Accounts) is a separate account which contains the financial details which refer to the collection of Council Tax and Business Rates. The purpose of the account is to illustrate how much of the above income has been collected and to see how this compares to the amounts of the levies and other pre-determined payments that have been made for the Borough Council, the County Council, the Office of the Police and Crime Commissioner and the Fire Authority and to central government.
- 2.8 Overall the Fund experienced a surplus of £2.700m for the year (including contributions to the previous year's surpluses or deficits), leaving a balance of an accumulated surplus of £3.977m at the year-end. Separating this out into its individual components, the respective positions were as follows:

	Council Tax		Business Rates		Total
	£m	£m	£m	£m	£m
Brought Forward – surplus/(deficit)		1.460		(0.183)	1.277
Contribution to previous years			0.716		
Surplus/(deficit) relating to 2019/20 (B)	(0.411)		4.394		
Overall surplus/(deficit) for year (A + B)		(2.410)		5.110	2.700
<b>Carried Forward – surplus/(deficit)</b>		<b>(0.950)</b>		<b>4.927</b>	<b>3.977</b>

- 2.9 As can be seen the Council Tax element of the Fund as at 31 March 2020 shows a deficit of £0.950m, which compares to a surplus of £1.460m at 31 March 2019. This will be shared with the precepting authorities (Newcastle Borough Council, Staffordshire County Council, Office of the Police and Crime Commissioner, Fire Authority) and will be used in calculating how much Council Tax will be levied in 2021/22. The primary reason for the deficit relates to the write off of bad debts at the year-end for both 2018/19 (which resulted in an actual surplus of £1.460m, £0.539m less than had been estimated for 2018/19) and 2019/20. The Council's share of this deficit is £0.115m.
- 2.10 The Business Rates element of the Fund as at 31 March 2020 shows a surplus of £4.927m which compares to a deficit of £0.183m at 31 March 2019. The surplus will be repaid to the four participants in the business rates retention scheme, the Borough Council, Staffordshire County Council, the Fire Authority and central government. The Council's share of this surplus is £1.971m. The significant surplus can be attributed to the provision for appeals which has proven to be more than sufficient and continued business rates growth within the Borough. This surplus will be transferred to the Business Reserve and will be available to help cushion the impact of Covid-19 on the Collection Fund in the current financial year, which is expected to be substantial.

## Balance Sheet

- 2.11 The main features of the balance sheet (page 26 in the draft Statement of Accounts) are as follows:
- There are Net Tangible Fixed Assets of £64.364m (£66.054m at 31 March 2019) which consist of Plant, Property and Equipment, Surplus Assets, Investment Properties and Heritage Assets.
  - There is an increase in Cash and Cash Equivalents of £2.481m due to cash flow.

- The amount the Council owes to its creditors is £11.306m. Creditors have increased by £3.951m compared to 31 March 2019. This is primarily due to the surplus generated on the NNDR collection fund, and the shares of this payable to Central Government, Staffordshire County Council and Staffordshire Fire and Rescue Service.
- The amount that the Council is due from its debtors is £12.437m. Debtors have increased by £4.469m compared to 31 March 2020. This is primarily due to the Housing Benefits subsidy estimated by the Department of Works and Pensions to be payable for 2019/20 being significantly less than the amount that has been calculated as due per the Housing Benefit Subsidy claim and Right to Buy receipts being due to the Council from Aspire Housing. The Housing Benefit Subsidy amount will be repaid to the Council during 2020/21, Aspire Housing have paid the amount due.
- The liability (and the corresponding reserve) relating to defined benefit pension schemes decreased from £76.138m at 31 March 2020 to £59.846m at 31 March 2020. These amounts are required to be included in the Council's accounts as a result of the application of International Accounting Standard 19 (IAS19). They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities.
- Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020. The liability position as at 31 March 2020 is therefore based on this new roll forward from the 2019 formal valuation. This differs to the balance sheet position as at 31 March 2019 which was based on a roll forward from the 2016 formal valuation. This 'step change' can lead to sizeable asset and liability 're-measurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020 as can be seen in the 'Transactions relating to post-employment benefits' table in Note 29 (page 59) of the Statement of Accounts.

## Reserves

2.12 The Council has usable revenue reserves totalling £3.574m. The main items, with their balances at 31 March 2020, and a comparison to the balances forecast per the 2020/21 budget setting, are:

Reserve/Fund	Balance 31 March 2020 (£'000's)	Balance Forecast Budget Setting (£'000's)	Variance (£'000's)	Comments
General Fund	1,241	1,448	(207)	Adverse variance
Contingency	100	100		-
Equipment Replacement	462	621	(159)	Budgeted contributions of £141k not made as part of outturn balancing
Renewals & Repairs	-	-	-	-
ICT Development	21	16	5	-
Budget Support	1,312	396	916	Grants received during 2019/20 to be utilised during 2020/21 (e.g. Air Quality, Future High Streets, Town Fund)

Borough Growth	30	63	(33)	-
Conservation & Heritage	27	38	(11)	-
Mayor's Charity	8	9	(1)	-
Museum Purchases	136	42	94	-
Business Rates	209	-	209	Additional windfall from Business Rates Pilot
Keele Master Plan	24	18	6	-
Elections	-	50	(50)	Budgeted contribution of £50k not made as part of outturn balancing
Clayton Community Centre	4	-	4	-
<b>Totals</b>	<b>3,574</b>	<b>2,801</b>	<b>773</b>	

2.13 The General Fund Balance is (£1.241m) as at 31 March 2020. The amount required to be held in this reserve is assessed each year when the revenue budget is compiled, by identifying and quantifying the risks applicable to the revenue budget and using this information as the basis to calculate a prudent sum to keep in reserve to meet those risks should they arise. Covid-19 related and other financial risks are being kept under continuous review and Cabinet will be advised should the need to increase these in-year arise.

2.14 The levels of reserves will be considered as part of the budget preparation process for 2021/22. Some may require "topping up", either from the revenue budget or a transfer from another reserve.

### Capital Expenditure

2.15 Capital expenditure totalled £2.923m in 2019/20.

2.16 A Capital Programme totalling £5.606m was approved for 2019/20. Of this total £3.606m relates to the total cost of new schemes for 2019/20 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £1.327m was brought forward from the 2018/19 Capital Programme, resulting in a total Capital Programme of £6.948m for 2019/20.

2.17 Actual capital expenditure during 2019/20 was £2.923m, leaving a balance of £4.025m (including £1.000m contingency) to be carried forward to 2020/21. This expenditure was financed entirely by capital receipts, government grants and other contributions. Borrowing to finance the 2019/20 expenditure was not required.

2.18 Projects in progress or committed will be completed or commenced in 2020/21. The remainder will be reviewed to confirm they are still required and considered in the context of available resources to finance the capital programme, particularly in view of the continuing uncertainty regarding the timing of receipts from land sales, upon which much of the financing of the capital programme is dependent.

2.19 The expenditure of £2.923m was financed as shown below:

<b>Financed by:</b>	<b>£ (000)</b>
Capital Receipts	2.199
Government Grants (DFG's)	0.308
Section 106 payments/Capital Grants	0.416
<b>Total</b>	<b>2.923</b>

2.20 The Capital Receipts Reserve is almost entirely committed to financing the currently approved capital programme plus slippage from 2019/20. The majority of the balance on the Capital Grants Unapplied Reserve is either already committed to finance current schemes or is earmarked for future schemes.

### 3. **Proposal**

3.1 The provisional General Fund outturn and key issues in respect of the Council's financial position as at 31 March 2020 be noted.

### 4. **Legal and Statutory Implications**

4.1 The Secretary of State has announced that for the 2019/20 accounting period the period of publication of authority accounts is to be extended from 30 September to 30 November 2020.

4.2 The Regulations require the draft Statement of Accounts to be certified by the responsible financial officer, the Executive Director (Resources and Support Services), as presenting a true and fair view of the Council's financial position by 31 August and this was done on 17 July 2020.

### 5. **Equality Impact Assessment**

5.1 There are no differential equality issues arising directly from this report.

### 6. **Financial and Resource Implications**

6.1 A sum of £0.207m has been transferred from the General Fund Reserve in respect of the overall adverse variance for 2019/20.

### 7. **List of Appendices**

Appendix 1: Draft Statement of Accounts 2019/20

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# Statement of Accounts

2019/20



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# Guide to the Statement of Accounts

The Statement of Accounts contains a number of different elements which are shown in the following table, together with an explanation of the purpose of each item. Throughout the Statement, various unusual or technical terms are employed which may not be familiar to all readers. A Glossary (page 70) has therefore been provided which explains the meaning of such items.

Page	Item	Purpose
5	Narrative Report	A guide to the main features of the accounts and a commentary on the Council's financial position and the factors affecting its finances.
15	Statement of Responsibilities	Sets out the responsibilities of the Council and the Executive Director (Resources and Support Services) in relation to financial administration and accounting.
16	Annual Governance Statement	Explains the processes and procedures in place to enable the Council to carry out its functions effectively. Produced following a review of the Council's governance arrangements.
24	Financial Statements	The Financial Statements which the Council must publish.
24	Comprehensive Income and Expenditure Statement	Shows the accounting cost of providing services in accordance with accounting practice.
25	Movement in Reserves Statement	Shows movements in reserves split between usable and unusable reserves. It also reconciles the outturn on the Comprehensive Income and Expenditure Statement (CIES) to the General Fund balance.
26	Balance Sheet	Sets out the Council's financial position on 31 March 2020. Provides details of the Council's balances, reserves and assets employed in Council operations together any liabilities.
27	Cash Flow Statement	Details the total cash movement of the Council's transactions.
28	Notes to the Financial Statements	Provide additional information in relation to the Financial Statements and outline technical issues such as the Council's accounting policies.
66	Collection Fund	Records details of receipts of council tax and business rates and the associated payments to precepting authorities/central government.
69	Audit Certificate	The external auditor's opinion on the accounts and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.
70	Glossary	Explanation of technical or unusual terms used in the Statement of Accounts.

# Narrative Report

## Commentary by the Executive Director (Resources and Support Services)

### a. Introduction

Welcome to Newcastle-under-Lyme Borough Council's Statement of Accounts for the financial year 2019/20. The accounts give a summary of the money that the Council has received, what it has been spent on during the year, and its financial position at 31 March 2020. This Narrative Report provides a context to the accounts by presenting a summary of the Council's financial activities and its prospects for future years.

### Regulations governing the production of the Statement of Accounts

The accounts have been prepared on a going concern basis and in accordance with the Accounts and Audit Regulations 2015 and the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom" published by the Chartered Institute of Public Finance and Accountancy (CIPFA). Under the provisions of Sections 25/26 of the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Accounts and Audit Regulations (Coronavirus Amendment) 2020, the accounts were made available for inspection between 17 July 2020 and 28 August 2020, as notified on the Council's website.

The accounts are scheduled to be approved by the Audit and Standards Committee on 9 November 2020 in accordance with paragraph 9 (2) of the Accounts and Audit Regulations 2015 and the Accounts and Audit Regulations (Coronavirus Amendment) 2020. The signature of the Committee Chair (who presided over the meeting) will be included at the conclusion of this report in line with these regulations as evidence of approval of the 2019/20 Statement of Accounts.

### General Accounting Policies

The accounting policies adopted by the Council comply with the relevant recommended accounting practice. The Council's service costs have been analysed in the Comprehensive Income and Expenditure Statement according to the Council's management reporting structure. Materiality considerations follow the policies set out in the CIPFA Code of Accounting Practice. In addition, the analysis of capital expenditure follows CIPFA's recommendations showing non-current and intangible assets separately. These recommended practices are all designed to meet the requirements of International Financial Reporting Standards (IFRS).

There have been no changes in the Council's statutory functions during the year.

The Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £0.500m of capital receipts in each of the financial years 2018/19 and 2019/20. The flexible use of capital receipts has been utilised in 2018/19 and 2019/20 for expenditure that meets the eligibility criteria, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

### Statement of Accounts

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of a local authority are both technical and complex, which does not always lead to a style which is easily understood. Accordingly a Guide to the Statement of Accounts (page 4) has been provided.

### Accountability/financial reporting

Local authorities are governed by a rigorous structure of controls to provide stakeholders with confidence that public money has been properly accounted for. As part of the process of accountability, the Council is required to produce a Statement of Accounts, in order to inform stakeholders that it has properly accounted for all the public money received and spent, and that the financial standing of the Council is secure.

The Statement of Accounts concentrates on clear and accurate reporting of the financial position of the Council in relation to a particular year. It does not, however, aim to fulfil the role of an annual report of a company.

## Newcastle under Lyme Borough Council

The Council is a second tier district council within the County of Staffordshire, with a population of around 129,500. It consists of the urban areas of Newcastle and Kidsgrove, with a town council, and an extensive rural area containing nine parishes, each with a parish council.

The Council has 44 members representing residents in 21 wards following elections in May 2018. Full Council, consisting of all members, is responsible for setting Council policy, whilst other decisions within the policy framework set by Full Council are determined by a Cabinet, currently consisting of 6 members.

Operational management is carried out under the direction of the Chief Executive and three Executive Directors who currently comprise the Executive Management Team (EMT).

The Council employed 528 people (437 full time equivalents), as at 31 March 2020.

The Council Plan 2018-2022, which can be found on the Council's website, details the Council's plans for the period. The plan sets out the Council's aspirations and priorities.

It sets out the new vision of the Council as, 'good local services, a prosperous borough, and safe and welcoming places for all'. It also focuses the work of everyone in the Council on four key priorities:

- Local services that work for local people
- Growing our people and places
- A healthy, active and safe borough
- A town centre for all

The plan sets out how the Council will work to make the borough an even better place for everyone who lives, works, studies or visits here. The Council's aims can only be achieved by taking advantage of every opportunity available and developing new ones through innovation and a more collaborative approach.

The Council is committed to strong and sustainable economic growth for the borough, focusing upon opportunities around Keele University, Newcastle Town Centre and Kidsgrove.

Equally the Council is committed to achieving visible improvements in service delivery. The most recent can be seen with the opening of the impressive Castle House, the new home for the Council and other public services set in Queen's Gardens. This move has allowed the Council to embrace a new way of working and opportunities for better service delivery both amongst our own teams and with our partners who share the space with us. It also sets the standard for future developments and partnership working in the borough.

Details of the services which the Council provides and their budgets are set out in budget books for each financial year which are available on the Council's website.

## Financial summary 2019/20

The financial activities of the Council can be categorised as either revenue or capital. Revenue spending represents the cost of providing services delivered by the Council in its day to day business during the year. Capital spending relates to items which will provide benefit to the Borough over a number of years such as buildings, plant and equipment.

## Revenue expenditure and income

### General Fund Revenue Budget outturn

The outturn position in relation to the General Fund Revenue Budget was an adverse variance (deficit) of £0.207m, i.e. expenditure was £0.207m more than the net budget. This amount relates to the additional expenditure and loss of income as a result of COVID-19. The adverse variance has been transferred out of the General Fund Reserve.

Prior to the start of the COVID-19 pandemic in March, the Council was forecasting a balance outturn position. However due to the closure of facilities during March, including Jubilee 2 and Car Parks, and the non-summonsing to Court of Council Tax and Business Rates debtors, a loss of income amounting to £0.207m was incurred.

Whilst the impact of COVID-19 in 2019/20 was limited to March and a £0.207m loss of income, the financial impact for 2020/21 and the medium term is significant, this is commented on further under section h, Financial prospects.

The main adverse variances (overspends) incurred relate to shortfalls of income in Jubilee 2, Planning Applications and Car Parks (town centre car parks) and overspends regarding the provision of interim staff pending senior management recruitment and housing benefits payments for which the Council is unable to claim full subsidy.

These adverse variances have been offset by a number of underspends which include employee costs in respect of restructuring, a number of vacant posts and flexible retirements that have taken place across the Council. Income from the Business Rates pilot that the Council participated in is in excess of the amount budgeted for and additional contributions have been made from usable reserves.

The Executive Director of Resources and Support Services informed the Ministry of Housing, Communities and Local Government by letter on 5 December 2018 of the Council's intention to make flexible use of up to £0.500m of capital receipts in each of the financial years 2018/19 and 2019/20. The flexible use of capital receipts has been utilised in 2018/19 and 2019/20 for expenditure that meets the eligibility criteria, in that it relates to initiatives that are forecast to generate, or have generated, on-going revenue savings through reducing the costs of service delivery.

A reconciliation of the Comprehensive Income and Expenditure Statement to the deficit declared above can be seen in the table below, further information can be obtained from the statements and notes referenced:

	£000
Service provision (per CIES-p24)	3,992
Adjustments between accounting basis and funding basis (note 8-p44)	(4,436)
Movement in useable reserves (excluding transfer of deficit) (note 9-p46)	651
<b>Deficit for 2019/20</b>	<b>207</b>

### Where does the money come from, and where is it spent?

Local authorities receive income from a variety of sources, from the Government in the form of grants, from households in the form of Council Tax (a property based charge payable by local residents dependent upon the Valuation Office's valuation band for their property), from consumers in respect of fees and charges and rents and from a share of business rates from occupiers of commercial premises within the Borough (based upon the rateable value set by the Valuation Office in respect of the properties concerned).

In accordance with the Business Rates Retention Scheme, the Council retains a share of the business rates collected after paying part over to the Government, Staffordshire County Council and the Staffordshire Fire and Rescue Authority.

The gross income (£40.646m) and expenditure (£59.444m) attributable to management reporting areas is shown in the Comprehensive Income and Expenditure Statement (page 24).

## Capital expenditure

Capital expenditure includes expenditure such as the acquisition, construction, repair and maintenance of fixed assets. As capital spending contributes to the Council's priorities and vision over the short, medium and long term, the Council plans and budgets for expenditure by means of a rolling programme.

In 2019/20 the Council planned to spend £5.606m. Of this total £3.606m related to the total cost of new schemes for 2019/20 together with £1.000m for schemes funded by external sources (Disabled Facilities Grants) and a £1.000m contingency. In addition £1.327m was brought forward from the 2018/19 Capital Programme, resulting in a total Capital Programme of £6.948m for 2019/20.

Actual capital expenditure during 2019/20 was £2.923m, leaving a balance of £4.025m (including £1.000m contingency) to be carried forward to 2020/21. This underspend was due to a number of projects being commenced later than anticipated including the acquisition of the new Waste Recycling Fleet. The expenditure incurred during 2019/20 was financed entirely by capital receipts and government grants and other contributions. Borrowing to finance the 2019/20 expenditure was not required. The capital investment and financing of this expenditure is shown in Note 26 (page 57).

## Financial prospects

### Revenue

The Council is committed to the delivery of high quality services. Integral to this is the need to effectively target financial resources in line with stated aims and objectives working against the background of an adverse economic situation.

The COVID-19 pandemic is the greatest single risk to the health and economic wellbeing of the country since the Second World War. In February 2020 the Council established an Incident Management Team to plan the Council's response, ensuring that support to local residents and businesses was provided, that Council services were maintained, and the welfare of officers and members protected. Informal Cabinet have been regularly briefed on the work being progressed, including a daily briefing with the Leader. The approach adopted is based on existing business contingency arrangements and has put the Council in a good position in terms of stepping up its response.

The Incident Management Team interfaces with a range of groups which have been set up countywide to co-ordinate the response to the pandemic, including the Strategic Coordinating Group, and working groups on mortality management and vulnerability. Cabinet has received reports at its April, May, June and July meetings detailing the work of the Incident Management Team. At May's Cabinet meeting, Members emphasised that the Council was firmly focused on recovery, with key elements of the response running in parallel.

Five areas of recovery work have been, and continue to be addressed:

- Reopening safe, successful retail centres
- Supporting health and wellbeing
- Economic recovery
- Stepping up Council services
- Financial recovery

With the lockdown beginning to be eased, efforts are now be focused on recovery, and ensuring that both the Council and the Borough get "Back on Track" – getting the economy back to its pre-lockdown position as swiftly and safely as possible. This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream.

Key work undertaken to date is detailed below.

#### **Reopening Safe, Successful Retail Centres**

Arrangements were put in place to facilitate the safe re-opening of Newcastle and Kidsgrove town centres and the various district centres across the borough. This included provision of advice to all businesses about "Covid Secure" arrangements that they will need to put in place, and deploying signage wherever necessary.

A key step towards the reopening of Newcastle town centre was the relaunch of the market on Friday 5 June, which served as a “soft re-opening”. Good social distancing was in evidence, with a number of long standing traders returning to the town centre to benefit from the Council’s offer of 6 weeks of trading without incurring pitch fees.

### **Supporting Health & Wellbeing**

The Council continues to operate a helpline and online facility for individuals to reach out for assistance. The helpline is staffed by colleagues from Jubilee 2 and links into the national, and County support arrangements, as well as support arrangements established with the Realise Foundation and Support Staffordshire. Demand for this service fluctuates but is generally reducing.

Homeless & Rough Sleepers - In March the Government required District and Borough councils to provide emergency accommodation for any rough sleepers in their area and provided funds to support this. The Council is providing emergency accommodation for 22 individuals in a mix of bed and breakfast and a range of temporary accommodation, with support tiered according to need.

To ensure that vulnerable people, and people made vulnerable by the pandemic, continue to receive the support that they require, the Council’s help line facilities have been retained and an action plan for the ongoing support for each homeless person has been submitted to the Government.

### **Economic Recovery**

The Council has paid out £20.575m to 1788 businesses as at 10 July 2020 under the Government’s grant schemes for small businesses and businesses in the retail, hospitality and leisure sectors. With regards to the Government’s Discretionary Grant Scheme, payments totalling £1.005m have been made to 183 businesses out of the £1.178m allocation. The Council has paid out grants to over 90% of eligible businesses. Applications for these grant programmes continue to be received, and an ongoing effort to encourage applications continues.

The initial grant programmes were specifically related to the rateable value of the business premises, and as such excluded businesses which operated from shared premises where they paid a rent inclusive of rates (e.g. a business centre, or shared office space). To support this cohort of businesses, the Government launched an additional scheme, with a degree of local discretion, including on the level of grants paid.

The Council’s economic recovery programme will involve a mix of immediate direct developments, alongside longer term strategic initiatives. The longer term initiatives include the Town Deals for Newcastle and Kidsgrove and the Future High Streets Fund bid for Newcastle. In terms of direct developments, the focus will be on:

- Ryecroft.
- Kidsgrove Sports Centre.
- Sidmouth Avenue housing project.
- Newcastle Mortuary Site.

### **Stepping-up Council Services**

Since the commencement of the lockdown, staff who have been able to effectively work from home have done so. This has meant that the majority of services have continued with minimal disruption. However, a number of services have been significantly impacted either due to the risk associated with continuing business as usual, the additional demands placed on the service, or due to Government guidance. The services experiencing the most significant change are:

- J2 – remains closed to the public but will be reopening on 25 July on a phased basis.
- Museum – remains closed to the public however will be reopening on 27 July.
- Castle House & Kidsgrove Customer Contact facilities – closed to the public, with all services being provided online or by phone.

- Waste & Recycling Collection – All waste streams are being collected, including Garden Waste. The collection schedule has been adjusted to make the best use of available resource, and to respect the guidance on social distancing. Service performance has been sustained despite a very significant increase in volumes of waste being presented. From week commencing 7th June, the new recycling collection system started to be rolled out.
- Bereavement – Whilst still busier than usual, the workload of the bereavement team is now beginning to return to more normal levels. Whilst the numbers able to attend funerals will remain at 10 until further relaxation of social distancing is permitted, the service anticipates being able to increase the time allocated to each funeral service to the normal 40 minutes.
- Taxi Licencing – the service is focusing on supporting existing drivers, with no new license applications currently being processed. Taxi testing has been suspended. Nevertheless, through holding remote licensing hearings and other measures in place, there remains an appropriately licenced adequate taxi and hackney carriage fleet in operation.

In order to bring Council services back to their original capacities in line with Government guidance for re-opening the economy, each service has prepared a “Stepping Up” plan. It is anticipated that some services will experience significant spikes in demand once the economy begins to re-open, with careful planning required to deliver this.

### **Financial Recovery**

The pandemic has had a significant impact on the Council’s financial position through a mix of lost income and additional costs. Government funding of £1.573m has been secured which includes a third tranche of funding announced on 16 July 2020. In addition to this funding the Government has advised that they will be sharing income losses incurred as a result of COVID-19 however further details are yet to be released. This support has significantly relieved pressure on the Council’s revenue budget during the remainder of the year.

The Council’s revenue budget relies on service income from fees and charges of around £0.850m per month across a wide range of services, with a significant proportion coming from Jubilee 2 and car parking. The Council has been actively monitoring the impact of the lockdown and the working practices required to ensure safe practice. Across the Council, it is estimated that net income of £0.276m will be lost during each month that the lockdown prevails. In addition to the loss of income, the Council is experiencing additional costs in some areas, amounting to £0.147m per month.

In the longer term, any impact on either business rates collection (due to business failure) or Council Tax collection (due to non-payment) will materialise in 2021/22. The Government have announced that they will share collection fund losses and have advised that the Council can recover any deficits over 3 years.

The consequences of the Coronavirus on the Council’s financial position will depend significantly on the duration of the lockdown and on the scale and timing of further Government financial support. The Council is actively lobbying our local Members of Parliament and through national networks as part of the wider public sector family, to make the case for further Government support to address COVID-19 related costs and loss of income. Particular emphasis in our lobbying has been the impact on Business rate and Council tax collection.

The Council continues to strongly manage budgets and spending. Action has been taken to furlough a number of staff, primarily from Leisure, where there is no ability or need to redeploy. This will enable the Council to recoup a proportion of their salary costs from the Government. Staff continue to be on full pay, and their contracts of employment are unaffected, with them returning to their usual roles as soon as the easing of lockdown permits.

Careful monitoring of the financial position will be required over coming weeks and months leading to prompt corrective action where necessary to ensure that reserves are not exhausted and the Council remains in a position of being able to deliver a balanced budget position in the current financial year and beyond.

This will inevitably lead to further pressures in the Medium Term Financial Strategy during and beyond 2021/22, particularly around the risk assessed levels of reserves that are required to be maintained and the levels of income that the Council may expect to receive from its services in the medium term.

The Council’s Medium Term Financial Strategy - which forecasts future years’ budgets taking into account national and local financial situations together with the Council’s priorities - has identified pre COVID-19 pandemic shortfalls for each year from 2020/21 to 2024/25. The Medium Term Financial Strategy forecast a gap of £1.249m for 2020/21, £1.367m for

2021/22 (gap of £0.490m), £1.115m for 2022/23 (gap of £0.327m), £1.106m for 2023/24 (gap of £0.308m) and £0.858m for 2024/25 (gap of £0.048m). Work is currently being undertaken to update the Medium Term Financial Strategy in light of the impact of COVID-19 and will be presented to Cabinet for approval in October.

On 19 February 2020 the Council set a balanced budget for 2020/21. This was achieved by increasing council tax, efficiency savings, the identification of additional sources of income sufficient to meet the shortfall and the flexible use of capital receipts in order to capitalise expenditure intended to deliver more efficient and sustainable services. The majority of the savings were identified through a review of the Council's services focussing on particular areas where it was felt that savings could be achieved.

As part of the 2020/21 budget a 'Borough Growth' annual contribution of £0.250m has been established, which will again be used to invest in initiatives that are forecast to generate on-going revenue savings through reducing the costs of service delivery or through the generation of additional income.

The government have announced that the Fair Funding Review (FFR) and 75% Business Rates Retention (BRR) will not be implemented in April 2021 as originally planned. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

For the purposes of the Medium Term Financial Strategy it has been assumed that the Council will be in a cost neutral position following the reform of local government finance and the introduction of 75% business rates retention, however, this cannot be guaranteed and funding streams may differ significantly from this neutral position.

The Council intends to consider ways it can facilitate and participate in the commercial and industrial development of the Borough and thereby gain access to income streams to contribute to a sustainable revenue budget. The basis for this is set out in the Investment Strategy. As a first step, it is intended to establish a Revolving Investment Fund to invest in suitable projects. Any additional income or capital appreciation generated will either be reinvested to fund further developments or used to support the Council's revenue budget.

## Capital

The Capital Programme for 2020/21 to 2022/23 is based on new schemes which are vital to ensure continued service delivery and in assisting the Council to achieve its corporate and service objectives as set out in the Council Plan 2018-22 approved by Cabinet on 19 September 2018. These schemes total £24.624m.

The Capital Programme is produced in line with the Capital Strategy for 2020/21 to 2029/30 which was approved by Full Council on 19 February 2020. In addition to the Council's corporate and service objectives, as set out in the Council Plan 2018-22, the Capital Programme is also influenced by a number of external parties and factors:

- Central government and its agencies
- Legislation requiring capital works
- Partner organisations
- Businesses and Developers
- The needs and views of other interested parties, particularly those of Borough residents.

Delivering the capital programme for 2020/21 will require prudential borrowing to be undertaken. The impact of borrowing is included in the Medium Term Financial Strategy pressures for 2020/21 and future years.

Advice will be sought from the Council's Treasury Management advisors, Arlingclose, as to the most beneficial timing of prudential borrowing. Their current advice is to borrow on a short term basis (up to 4 years) from other local authorities whilst interest rates remain low, particularly in light of the recent increase in the Public Works Loan Board interest rates.

## Strategic risks

Major strategic risks affecting the Council which could impact on future service provision are currently as set out in the table below, which shows for each risk its potential impact and measures to mitigate the risk:

Risk	Impact	Mitigation
Failure to realise potential for land sales to provide funding for capital investment	Insufficient resources to fund capital investment needed to maintain service provision or to achieve objectives	Asset Management Plan, Cabinet decisions to sell, planning approvals
Failure to recruit and retain staff with required experience and skills	Reduced amount and quality of service provision. Inability to provide services	Workforce development plan, business continuity planning
Major incident	Unable to provide services during and for some time after the incident	Major incident and emergency response plans in place, incident response guide, business continuity planning,
Long term decline in income including reduction in government funding and failure to provide funding for new initiatives	Pressure on revenue budget	Included in calculation of prudent minimum balances
Pay and price increases	Pressure on revenue budget	Included in calculation of prudent minimum balances
ICT - system/software failure or malicious software incursion	Unable to provide services during and after the failure. Loss of data, corruption of data, ransom demands, unable to provide service after incursion.	Business continuity planning, back up servers
Failure to comply with legislation including data protection breaches	Legal action, compensation claims, fines, reputational damage	Standing orders and financial regulation, training, internal audit, monitoring officer
Overall budget realisation fails	Reduction in reserves, unplanned cuts to services, impact on future budgets	Budget monitoring, adequate reserves levels
Business rates retention	If overall funding reduces, there will be pressure on the revenue budget	Medium term financial strategy, modelling, business rates reserve
Failure of major contractor	Unable to provide services, additional unbudgeted costs	Market intelligence, credit checks, procurement rules and procedures

## Reserves

The Council holds a number of reserves the majority of which are earmarked to meet specific categories or items of expenditure. Levels of reserves are reviewed to determine their adequacy to meet the Council's commitments and future plans and are an important consideration when preparing the budget. The Council aims to substantially increase the level of reserves over the life of the Medium Term Financial Strategy to ensure greater financial resilience.

The Council's Section 151 Officer has recommended that a minimum level of un-earmarked reserves and contingencies of £1.548m be held to reflect the Council's levels of revenue risk. Therefore, there should be a minimum General Fund balance of £1.448m and an Income Reserve of £0.100m.

The General Fund balance can be used to contribute to the revenue account. The required level is determined by a risk assessment of factors which might adversely impact upon the revenue budget on a worst case basis. These factors are set out in an appendix to the council tax setting report considered by the Full Council on 19 February 2020. The current level, as at 31 March 2020 is £1.241m, with an Income Reserve balance of £0.100m, a decrease of £0.207m on 2018/19 due to an overspend of £0.207m during 2019/20 relating to COVID-19. This balance will be replenished during 2020/21.

## Partnerships

The Council participates in a wide range of partnership arrangements. Some are formal partnerships regulated by an agreement between the partners and some are informal in nature, many of them designed to facilitate community cohesion or to ensure awareness of community needs or to enable more efficient working practices.

Examples of formal partnerships are a shared apprenticeship scheme in conjunction with Newcastle College and the administration of the Business Improvement District (BID) scheme for Newcastle town centre. Businesses within the BID

area pay a supplementary business rate, collected by the Borough Council and used by the BID Board to promote the economic wellbeing and development of the town centre.

The Council works closely with other public sector organisations to obtain value for money in relation to supplies and services and to provide the public with easy access to all of the partners' services from its facilities. An example of this is the Locality Commissioning Partnership which co-ordinates contributions to third sector organisations. There are also reciprocal arrangements between neighbouring authorities for providing assistance, such as the secondment of staff, to provide continuity of service.

The Council's offices at Castle House are shared with Staffordshire County Council, Staffordshire Police and Aspire Housing.

## **Economy, efficiency and effectiveness in the use of resources**

Local authorities are obliged to achieve economy, efficiency and effectiveness in their use of resources. Arrangements are in place to ensure that value for money is obtained when Council resources are expended, that there is proper stewardship and governance in relation to these matters and the arrangements are kept under review to ensure they are adequate and effective.

Financial Regulations, Contract Procedural Rules, Standing Orders and the Council's Constitution set out the basic framework and internal controls by which Council business and administration must be conducted and are binding on all employees and members of the Council. Financial Regulations and the Contract Rules lay down procedures which must be followed when obtaining supplies and services for use by the Council to ensure that transparent and effective processes are in place.

The arrangements and their effectiveness are continually kept under review as part of the ongoing management of the Council's services, medium term financial planning, continuous budgetary control procedures and regular internal audit reviews and reports.

The Executive Management Team receive and review monthly budget monitoring reports and initiate action to deal with any significant variances revealed. Members are kept up to date regarding the budgetary position via quarterly performance monitoring reports to Cabinet, which also include non-financial performance indicators showing how services are delivering on their key targets. The quarterly reports are available on the Council's website. There is also a formal member led scrutiny process, with key priority focussed Scrutiny Committees enabling service delivery to be monitored.

Formal review takes place via the Annual Governance Statement considered and approved by Council members, which is published within the Statement of Accounts (page 16). This is informed by Executive Directors, Heads of Service and Business Managers to provide assurance that governance arrangements are in place and to identify required improvements.

The Capital Strategy, Investment Strategy and Asset Management Strategy set out the framework within which the capital programme is managed and resources made available to finance the programme. Approval to proceed with capital investment is only given provided the necessary resources are available to finance it. An important element providing assurance regarding resource availability is an approved realistic programme of asset disposals. Capital investment and resources are assessed and monitored by the Capital Assets and Commercial Investment Review Group which is chaired by the Cabinet Portfolio Holder for Finance and Efficiency. The group aims to ensure that the capital investment programme meets the Council's priorities, is affordable and that projects are carried out on time and within budget.

## **Pension scheme liability**

The liability relating to defined benefit pension schemes decreased from £76.138m at 31 March 2019 to £59.846m at 31 March 2020. These amounts are required to be included in the Borough Council's accounts as a result of the application of International Accounting Standard 19 (IAS19) and the CIPFA Code of Accounting Practice. They relate to transactions of the Staffordshire County Council Pension Fund of which the Council is a member and represent the Council's share of net scheme liabilities.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020.

The liability position as at 31 March 2020 is therefore based on this new roll forward from the 2019 formal valuation. This differs to the balance sheet position as at 31 March 2019 which was based on a roll forward from the 2016 formal valuation.

This 'step change' can lead to sizeable asset and liability 're-measurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020 as can be seen in the 'Transactions relating to post-employment benefits' table in Note 29 (page 58), in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset, page 24) and in the Balance Sheet (pension liability and pension reserve, page 26).

## **Audit of the accounts**

The Borough Council's appointed auditors, Grant Thornton UK LLP, currently undertake the annual audit of the accounts. Their contact details are:

Andrew Smith, Grant Thornton UK LLP, 20 Colmore Circus, Birmingham, B4 6AT

## **Further information**

Further information about the accounts is available from:

Jan Willis, Interim Executive Director (Resources and Support Services), Castle House, Newcastle, Staffordshire, ST5 1BL

## **Comments**

If you have any comments about the way that the information is presented in this Statement of Accounts, or about possible alternative ways of making the information available, we would be pleased to receive them, at the above address.

## **Approval of Statement of Accounts**

The Accounts and Audit Regulations 2015 require the Statement of Accounts to be considered by and approved by a Council Committee or the Full Council and for the Statement to be signed at the meeting by the person presiding. This statement has been approved by the Audit and Standards Committee and this is evidenced by the signature of that Committee's Chair.

Signed: (Chair of the Audit and Standards Committee)

Dated:

# Statement of Responsibilities

## The Authority's responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Resources and Support Services);
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

## The Executive Director (Resources and Support Services) - responsibilities

The Executive Director (Resources and Support Services) is the Council's statutory Section 151 Officer and as such is responsible for the preparation of the authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) are required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2020.

In preparing the statement of accounts the Executive Director (Resources and Support Services) has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.
- Kept proper accounting records which were up-to-date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

## The Executive Director (Resources and Support Services) certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Borough Council as at 31 March 2020 and its income and expenditure for the year ended 31 March 2020.

Jan Willis

Dated:

Interim Executive Director (Resources and Support Services)

# Annual Governance Statement 2019/20

## 1.0 Scope of responsibility

- 1.1 Newcastle-under-Lyme Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newcastle-under-Lyme Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Newcastle-under-Lyme Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on the Council's website at [Code of Corporate Governance](#) or can be obtained from the Executive Director (Resources and Support Services). This statement explains how Newcastle-under-Lyme Borough Council complies with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

## 2.0 Delivering good governance in Local Government: framework

### 2.1 *The purpose of the governance framework*

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

## 3.0 The governance framework

- 3.1 The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

Core Principle A	Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
<ul style="list-style-type: none"><li>• <b>Behaving with integrity:</b><ul style="list-style-type: none"><li>• The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity.</li><li>• The Council has a set of values which are underpinned by a set of expected behaviours.</li><li>• All new members and officers are made aware of the Code of Conduct when they join the council.</li></ul></li><li>• <b>Demonstrating strong commitment to ethical values:</b><ul style="list-style-type: none"><li>• The council has a framework of policies that incorporate Anti-Fraud &amp; Corruption, Anti- Money Laundering and a Whistleblowing Policy all of which are designed to in the first instance discourage inappropriate behaviour and then secondly encourage both Members and Officers to voice any concerns they have and</li></ul></li></ul>	

<b>Core Principle A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>
<p>report any instances found.</p> <ul style="list-style-type: none"> <li>Members are required to renew their declaration of interests annually and also declare any relevant interests at meetings. There is also a register of gifts and hospitality</li> <li>Employees are required to notify their Executive Director or Head of Service about any potential conflict of interest.</li> <li>A register of gifts and hospitality is maintained by the Executive Management Secretarial Team, an annual reminder is issued to all Employees.</li> </ul> <ul style="list-style-type: none"> <li><b>Respecting the rule of law;</b> <ul style="list-style-type: none"> <li>The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to.</li> <li>There is a protocol in place for the Monitoring Officer, which sets out their role and supports them in fulfilling their responsibilities.</li> <li>Legal advice is given in reports for all decisions to be taken by Members and officers are also required to take advice where required.</li> </ul> </li> </ul>	

<b>Core Principle B</b>	<b>Ensuring openness and comprehensive stakeholder engagement</b>
<ul style="list-style-type: none"> <li><b>Openness:</b> <ul style="list-style-type: none"> <li>All meetings of the Authority are held in public unless the Part II requirements of the local authorities (Executive Arrangements) (Access to Information) Regulations 2000, are met in terms of confidentiality.</li> <li>Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made.</li> <li>The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.</li> </ul> </li> <li><b>Engaging comprehensively with institutional stakeholders:</b> <ul style="list-style-type: none"> <li>The Council has in place a Communications Strategy which sets out how we will communicate with our citizens, service users and stakeholders.</li> </ul> </li> <li><b>Engaging with individual citizens and service users effectively:</b> <ul style="list-style-type: none"> <li>The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website.</li> <li>Whenever we seek the views from the community we provide feedback on the information received and let our citizens know how it has or will be used to help shape Council decisions.</li> </ul> </li> </ul>	

<b>Core Principle C</b>	<b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b>
<ul style="list-style-type: none"> <li><b>Defining outcomes:</b> <ul style="list-style-type: none"> <li>The Council has a clear vision of what it wants to achieve, which is set out in its Council Plan. The vision and priorities have been informed by an analysis of needs for the Borough and also via consultation with key stakeholders and the public.</li> <li>Each service has a Service Plan that outlines outcomes to be achieved and how they link to the Council Plan.</li> </ul> </li> <li><b>Sustainable economic, social and environmental benefits:</b> <ul style="list-style-type: none"> <li>A Sustainable Community Strategy is in place which aims to create an environment where local people can articulate their priorities, needs and aspirations.</li> <li>In addition the capital strategy sets out the principles and objectives which the Council has identified for its capital investment and how its capital plans link to other strategies and areas of activity of the Council and its partners, this now extends to a 10 year period.</li> <li>The Councils day to day services support the delivery of the Council Plan, performance in delivering the objectives are monitored by the Executive Management Team (officers), the Cabinet and Scrutiny Committees (Members).</li> </ul> </li> </ul>	

<b>Core Principle D</b>	<b>Determining and planning the actions necessary to optimise the achievement of the intended outcomes</b>
<ul style="list-style-type: none"> <li><b>Determining Interventions:</b> <ul style="list-style-type: none"> <li>The principles of decision making are detailed in the Councils constitution.</li> </ul> </li> </ul>	

<b>Core Principle D</b>	<b>Determining and planning the actions necessary to optimise the achievement of the intended outcomes</b>
<ul style="list-style-type: none"> <li>• A calendar of meetings is approved and agreed by annual Council in May each year.</li> <li>• <b>Planning Interventions:</b> <ul style="list-style-type: none"> <li>• The Councils Forward Plan details all the reports relating to key decisions and the timescales within which they will be presented.</li> <li>• Service Plans are produced annually which set out the planned activities for each service area for that year.</li> </ul> </li> <li>• <b>Optimising the achievement of intended outcomes:</b> <ul style="list-style-type: none"> <li>• The Medium Term Financial Strategy considers any changes that are required to be made to the base budget to ensure that service priorities are affordable and achievable.</li> <li>• The budget process takes account of the full cost of service delivery over the medium and longer terms.</li> <li>• The budget setting process ensures that a robust and balanced budget is approved.</li> <li>• The budget setting process allows for investment which is intended to bring future efficiencies.</li> </ul> </li> </ul>	

<b>Core Principle E</b>	<b>Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and Officers.</b>
<ul style="list-style-type: none"> <li>• <b>Developing the councils capacity:</b> <ul style="list-style-type: none"> <li>• The Council regularly reviews its activities to ensure continuous improvement of service delivery.</li> <li>• The Council works closely with its partners to ensure the delivery of agreed outcomes to the community.</li> </ul> </li> <li>• <b>Developing the capability of the entity's leadership and other individuals:</b> <ul style="list-style-type: none"> <li>• The roles of Members, Committees, Officers and Statutory Officers are set out in the Councils Constitution, which is available on the Councils website.</li> <li>• The Council has a scheme of delegation in place which forms part of the Constitution, this sets out the types of decision made by the council and who can make these.</li> <li>• The Constitution also contains Financial Regulations and Contract Procedures which provide a framework for Officers to follow when running their services and making decisions.</li> <li>• An induction programme is in place to provide training and support for all new members and officers.</li> <li>• All officers have an annual appraisal to review performance and identify any training and development needs.</li> <li>• A member development programme is in place in respect of members to identify all their training needs.</li> <li>• The Council is committed to supporting the health and well-being of the workforce through appropriate Human Resource policies, working practices and access to an occupational health service.</li> </ul> </li> </ul>	

<b>Core Principle F</b>	<b>Managing risks, performance and data through robust internal control and strong public financial management.</b>
<ul style="list-style-type: none"> <li>• <b>Managing Risk:</b> <ul style="list-style-type: none"> <li>• The Council has a risk management policy and strategy in place.</li> <li>• A strategic risk register is maintained by the Executive Management Team, progress is monitored on a quarterly basis by the Audit and Standards Committee.</li> <li>• Operational risks are identified and managed by Heads of Service; these are reviewed and monitored quarterly.</li> </ul> </li> <li>• <b>Managing Performance:</b> <ul style="list-style-type: none"> <li>• Heads of Service and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by Executive Directors and the Executive Management Team.</li> <li>• The performance of delivering the Councils priorities is monitored by Cabinet.</li> <li>• There are Scrutiny Committees in place to monitor the performance of the Council and hold the Cabinet to account for the decisions that it makes.</li> </ul> </li> <li>• <b>Robust internal control:</b> <ul style="list-style-type: none"> <li>• The internal control framework comprises a range of policies and procedures to ensure sound management of the Councils operation and delivery of services.</li> <li>• Internal Audit undertakes reviews of systems that comprise the internal control and governance framework, it provides assurance and where necessary makes recommendations for improvement.</li> <li>• The Audit and Standards Committee receives reports with regards to the internal control framework. In</li> </ul> </li> </ul>	

<b>Core Principle F</b>	<b>Managing risks, performance and data through robust internal control and strong public financial management.</b>
<p>addition quarterly reports are presented in respect of the progress and completion of the audit plan and the implementation of outstanding recommendations.</p> <ul style="list-style-type: none"> <li>• <b>Managing Data:</b> <ul style="list-style-type: none"> <li>• The Council has a suite of Information Security Policies to ensure and maintain the integrity of the data that it holds.</li> <li>• In addition the Council has an Information Governance Officer in place to ensure that personal data is held securely and managed appropriately.</li> </ul> </li> <li>• <b>Strong public financial management:</b> <ul style="list-style-type: none"> <li>• The Executive Director (Resources &amp; Support Services) as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer.</li> <li>• The Executive Director (Resources &amp; Support Services) prepares and advises the Council on its Medium Term Financial Strategy and the Budget.</li> <li>• Regular budget monitoring reports are provided to Members and Officers.</li> <li>• Financial Regulations and Contract procedures provide a framework for the day to day management of the Councils financial transactions.</li> </ul> </li> </ul>	

<b>Core Principle G</b>	<b>Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.</b>
<ul style="list-style-type: none"> <li>• <b>Implementing good practice in transparency and reporting:</b> <ul style="list-style-type: none"> <li>• The following information is reported annually to Members and is available on the Councils website; <ul style="list-style-type: none"> <li>• Performance in delivering the Council's priorities;</li> <li>• Statement of Accounts;</li> <li>• Annual Governance Statement;</li> <li>• Annual Internal Audit Report</li> <li>• Annual External Audit Letter</li> </ul> </li> <li>• In addition to the above, the Council has a transparency page on the website which provides public access to information in accordance with the Local Government Transparency Code.</li> </ul> </li> <li>• <b>Assurance and effective accountability</b> <ul style="list-style-type: none"> <li>• Internal Audit provides assurance throughout the year on the key systems of internal control.</li> <li>• The External Auditor provides assurance on the Councils financial statement.</li> <li>• The Councils governance arrangements are reviewed on an annual basis.</li> <li>• There is a Corporate Complaints, Compliments and Comments Policy in place.</li> <li>• Independent reviews of council services are undertaken from time to time, any feedback in respect of such reviews are noted and acted upon accordingly.</li> <li>• The Statutory Officers Group and Corporate Assurance Group review all corporate complaints, compliments and comments.</li> </ul> </li> </ul>	

3.2 A key element of the Councils governance arrangements concerns safeguarding. Newcastle-under-Lyme Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across all its services. As a Council we are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by us. We ensure this by;

- Having a Safeguarding Policy in place,
- Mandatory training in place for all Members and Officers,
- Carrying out the appropriate level of Disclosure and Barring Service (DBS) checks for employees, and
- Working closely with the Staffordshire Safeguarding Children's Board & Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

#### 4.0 Review of effectiveness

4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is

informed by the work of the Executive Directors within the authority who have responsibility for the development and maintenance of the governance and internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.

- 4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all citizens.
- 4.3 The Audit and Standards Committee monitors effectively the system of internal control, this has been demonstrated through the completion of a self-assessment against CIPFA's checklist on 'Measuring the effectiveness of the Audit Committee'. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2019/20.
- 4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are Scrutiny Committees that reflect each of the Council's Corporate Priorities. The terms of reference for each of these committees ensure that performance is effectively monitored and challenged
- 4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Standards Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Standards Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations. Internal Audit has continued to receive positive feedback from External Audit with regards to the coverage of their work and high professional standards.
- 4.6 Internal Audit can provide a level of assurance that the Council's systems of internal control are operating adequately, from their work in 2019/20. Whilst the Internal Audit Service has identified some material deficiencies in controls, the service is satisfied that based upon assurances from Management, action is now being taken to address the issues raised.
- 4.7 An assessment of the role of the Chief Finance Officer (CFO) has been completed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.
- 4.8 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations. The Council's current arrangements for the provision of Internal Audit, in partnership with Stoke-on-Trent City Council, ensure that the objectives of this role are achieved.
- 4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.
- 4.10 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service Areas.

- 4.11 There are various specialist working groups, i.e. Statutory Officers' Group, Capital, Assets and Commercial Investment Review Group, Corporate Governance, Information Security, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.
- 4.12 The External Auditors, Grant Thornton gave an unqualified opinion on the 2018/19 Accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.
- 4.13 The Council has a zero tolerance to Fraud and Corruption, the Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work is actively encouraged to come forward and voice those concerns.

## 5.0 Significant governance issues

- 5.1 The Executive Director (Resources and Support Services) post is currently being undertaken by the Interim Executive Director (Resources and Support Services), Jan Willis following an unsuccessful attempt to recruit on a permanent basis. It should be noted that during 2019/20 a number of permanent appointments to senior roles were made including Head of Human Resources, Head of Planning and Executive Director of Commercial Development and Economic Growth.
- 5.2 The following matters have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;
- To ensure that funding required for the Councils Capital Programme is maximised through the sale of assets identified for disposal as part of the Asset Management Strategy.
  - To ensure that the Council's Constitution is fit for purpose and up to date, in particular decision making processes, and that regular reviews of its appropriateness will continue to be undertaken.
  - To continue to raise the profile and status of Information Security and Governance throughout the Council. Work to ensure that information security and data protection requirements and legislation are complied with, is to be continued.
  - To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will ensure that we can deliver effectively and efficiently against citizen/customer requirements.
  - To ensure that our services demonstrate value for money we will continue to review all Service Areas against best practice and implement actions outlined in Service Plans, in addition we will seek to improve efficiencies across all Council services and ensure that the savings identified from this process can be realised.
  - To work in partnership as part of the North West Staffordshire Corporate Fraud Team to ensure that the Council remains vigilant in combating and tackling all aspects of fraud and corruption.
  - To ensure that the Council is committed to the safeguarding of all children and vulnerable adults and that they are protected and kept safe from harm whilst engaged in services organised and provided by us.
  - To develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability.
  - To improve practical guidance to governance in order to provide clearer understanding of processes to be followed throughout the organisation.

- To better manage and automate decision report production, meeting agendas, minutes and delegated decision powers and records through the digitisation agenda.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review and the forth coming Corporate Peer Review which will commence later in the year.

## 6.0 Reflecting the challenges and impact from the Coronavirus

6.1 The Annual Governance Statement assesses governance in place during 2019/20, so the majority of the year will be unaffected by coronavirus. The conclusion in Section 4 above that governance is fit for purpose during 2019/20 has been based on normal operations. However, coronavirus will have impacted on governance during March 2020, and this section looks at the challenges and the impact the coronavirus has had on the Council.

6.2 The impact on governance can be seen under the following broad categories:

### 6.2.1 *Impact on business as usual in the delivery of services*

- Social distancing measures have had a significant impact on the Council's governance arrangements.
- MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and change the frequency and occurrence of meetings without requirement for further notice and they also remove the provisions requiring local authorities to hold annual meetings.
- Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest Newcastle Borough Council has put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation.

### 6.2.2 *National response to coronavirus and governance issues arising*

- The Council has and continues to work on its recovery plan. This currently looks at five areas of recovery work and includes the following areas:-
  1. Reopening Safe, Successful Retain Centres
  2. Supporting Health & Wellbeing
  3. Economic Recovery
  4. Stepping-up Council Services
  5. Financial Recovery
- With the lockdown beginning to be eased, efforts are now be focused on recovery, and ensuring that both the Council and the Borough get "Back on Track" – getting the economy back to its pre-lockdown position as swiftly and safely as possible.
- This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream. Key work undertaken to date is detailed below
- It is still difficult to predict what actions will be needed over the next months and possibly years. There are impacts that will need to be addressed, for instance the Council's role in dealing with local outbreaks of COVID-19 together with the Council's role in the Government's test, track and trace.
- Environmental Health are working across Staffordshire with Public Health to meet the Government's expectations on the part of the plan that will need to be addressed locally. Sufficient resources to meet these demands and support the economy to restart and carry out our usual regulatory duties is a concern, however funding is being made available to upper tier authorities across the country to put these plans in place.

### 6.2.3 *The financial impact of delivering the local government response*

- The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary, expenditure and reduced income from fees and charges, Council Tax and Business Rates.

- The overall impact is very difficult to predict due to the frequent changes regarding the relaxation of the lockdown measures from Central Government together with anticipating the public's behaviours and responses to these changes.
- The impact will also vary by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on how quickly the national and local economies return to normal levels of activity.
- To offset the additional financial pressures being faced by Local Government, Central Government has provided additional funding of £3.2bn to help Council's across the country through the coronavirus pandemic. In addition to this the Government have also announced that they will share the income losses incurred as a result of COVID-19 together with Collection Fund losses and as of 16 July announced a third tranche of funding in an amount of £500m to the sector.

#### 6.2.4 *Assessment of the longer term disruption and consequences arising from the coronavirus pandemic*

- It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and into the future.
- The COVID-19 crisis is likely to be long-lasting, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.
- This means that the assumptions underlying later years in the Medium Term Financial Strategy will need to be reviewed, making the 'funding gap' for 2021/22 and beyond larger and are likely to include:
  - *Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs.*
  - *Council Tax income projections due to collection rates, growth and Local Council Tax Support.*
  - *Income projections for fees and charges including car parking, property rentals and leisure.*
  - *Transformation and savings projects especially where they are focussed on income generation.*

#### 6.2.5 *Some Positive Outcomes for the Council*

The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities.
- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely.
- The pandemic has highlighted the position in regards to the resilience and integrity of our ICT infrastructure.

Once the crisis is over, the Council will conduct a review of the lessons to be learned from its response.

Signed \_\_\_\_\_

**Councillor Simon Tagg, Leader of the Council**

Signed \_\_\_\_\_

**Martin Hamilton, Chief Executive**

Dated \_\_\_\_\_

# Financial Statements

## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services in accordance with accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in both the Movement in Reserves Statement (page 25) and the Expenditure and Funding Analysis (page 41).

2018/19				2019/20		
Gross expenditure £000	Gross income £000	Net expenditure £000		Gross expenditure £000	Gross income £000	Net expenditure £000
3,080	510	2,570	Chief Executive	2,667	671	1,996
33,878	30,246	3,632	Resources & Support Services	31,019	26,528	4,491
10,851	5,979	4,872	Regeneration & Development	8,118	5,244	2,874
14,256	5,677	8,579	Operational Services	17,034	8,031	9,003
1,512	108	1,404	Corporate	606	172	434
<b>63,577</b>	<b>42,520</b>	<b>21,057</b>	<b>Cost of services</b>	<b>59,444</b>	<b>40,646</b>	<b>18,798</b>
972	375	597	Other operating expenditure (Note 10-p46)	918	763	155
6,775	4,386	2,389	Financing & investment income/expenditure (Note 11-p46)	6,672	6,178	494
8,826	23,612	(14,786)	Taxation & non-specific grant income/expenditure (Note 12-p46)	9,325	24,780	(15,455)
		<b>9,257</b>	<b>(Surplus)/deficit on service provision</b>			<b>3,992</b>
		(5,046)	(Surplus)/deficit on revaluation of assets			(1,221)
		3,640	Remeasurement of the defined benefit liability/asset (Note 29-p58)			(20,489)
		<b>(1,406)</b>	<b>Other income &amp; expenditure</b>			<b>(21,710)</b>
		<b>7,851</b>	<b>Total income &amp; expenditure</b>			<b>(17,718)</b>

- Resources and Support Services includes housing benefits grant income and expenditure of circa £25m.

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The movements in the year are broken down between gains and losses incurred in accordance with accounting practices and statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory General Fund balance movements in the year following those adjustments.

	General Fund balance	Capital receipts reserve	Capital grants Unapplied	Total usable reserves	Unusable reserves	Total Council reserves
	£000	£000	£000	£000	£000	£000
<b>2019/20</b>						
<b>Balance at 31 March 2019 b/fwd</b>	<b>(3,130)</b>	<b>(2,242)</b>	<b>(1,032)</b>	<b>(6,404)</b>	<b>15,783</b>	<b>9,379</b>
<b>Movement in Reserves 2019/20</b>						
Total comprehensive income & expenditure	3,992	-	-	3,992	(21,710)	(17,718)
Adjustments between accounting & funding basis ( <a href="#">Note 8-p44</a> )	(4,436)	1,425	(820)	(3,831)	3,831	-
<b>Increase/decrease in year</b>	<b>(444)</b>	<b>1,425</b>	<b>(820)</b>	<b>161</b>	<b>(17,879)</b>	<b>(17,718)</b>
<b>Balance at 31 March 2020 c/fwd</b>	<b>(3,574)</b>	<b>(817)</b>	<b>(1,852)</b>	<b>(6,243)</b>	<b>(2,096)</b>	<b>(8,339)</b>
<b>2018/19</b>						
<b>Balance at 31 March 2018 b/fwd</b>	<b>(4,019)</b>	<b>(2,162)</b>	<b>(1,158)</b>	<b>(7,339)</b>	<b>8,867</b>	<b>1,528</b>
<b>Movement in Reserves 2018/19</b>						
Total comprehensive income & expenditure	9,257	-	-	9,257	(1,406)	7,851
Adjustments between accounting & funding basis ( <a href="#">Note 8-p45</a> )	(8,368)	(80)	126	(8,322)	8,322	-
<b>Increase/decrease in year</b>	<b>889</b>	<b>(80)</b>	<b>126</b>	<b>935</b>	<b>6,916</b>	<b>7,851</b>
<b>Balance at 31 March 2019 c/fwd</b>	<b>(3,130)</b>	<b>(2,242)</b>	<b>(1,032)</b>	<b>(6,404)</b>	<b>15,783</b>	<b>9,379</b>

- The General Fund balance includes £2.333m of earmarked reserves, leaving a general balance of £1.241m.

## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses, where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting and funding basis' (page 25).

31/03/2019 £000		31/03/2020 £000
47,534	Property, plant & equipment (Note 19-p49)	44,697
676	Surplus assets (Note 19-p49)	676
16,415	Investment property (Note 20-p51)	17,562
1,429	Heritage assets (Note 21-p53)	1,429
93	Intangible assets	94
442	Long term debtors (Note 22-p53)	413
<b>66,589</b>	<b>Long term assets</b>	<b>64,871</b>
-	Short term investments (Note 31-p62)	-
215	Inventories	241
7,968	Short term debtors (Note 22-p53)	12,437
2,223	Cash/cash equivalents (Note 31-p62)	4,704
<b>10,406</b>	<b>Current assets</b>	<b>17,382</b>
(7,355)	Short term creditors (Note 23-p53)	(11,306)
(77)	Short term borrowing (Note 31-p62)	(77)
(1,216)	Provisions (Note 24-p54)	(890)
<b>(8,648)</b>	<b>Current liabilities</b>	<b>(12,273)</b>
(1,020)	Provisions (Note 24-p54)	(1,061)
(76,138)	Net pensions liability (Note 29-p58)	(59,846)
(566)	Capital grants receipts in advance	(734)
<b>(77,724)</b>	<b>Long term liabilities</b>	<b>(61,641)</b>
<b>(9,377)</b>	<b>Net assets</b>	<b>8,339</b>
	<b>Usable reserves (MIRS-p25)</b>	
1,448	General Fund balance	1,241
1,682	Other usable reserves	2,333
2,242	Capital receipts reserve	817
1,032	Capital grants unapplied account	1,852
<b>6,404</b>	<b>Total usable reserves</b>	<b>6,243</b>
	<b>Unusable reserves (Note 25-p54)</b>	
18,818	Revaluation reserve	14,518
42,913	Capital adjustment account	45,561
443	Deferred capital receipts reserve	412
(77,741)	Pensions reserve	(59,846)
107	Collection fund adjustment account	1,858
(323)	Accumulated absences account	(407)
<b>(15,783)</b>	<b>Total unusable reserves</b>	<b>2,096</b>
<b>(9,379)</b>	<b>Total reserves</b>	<b>8,339</b>

## Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2018/19 £000		2019/20 £000
<b>9,257</b>	<b>Net (surplus)/deficit on the provision of services (per CIES-p24)</b>	<b>3,992</b>
(2,844)	(Increase)/decrease In creditors	(1,145)
1,460	Increase/(decrease) in debtors	1,939
19	Increase/(decrease) in inventories	26
(184)	(Increase)/decrease in provisions	285
(2,809)	Charges for depreciation/impairment of non-current assets	(4,640)
(2,591)	Revaluation losses on property, plant & equipment	(1,568)
(471)	Movements in fair value of investment properties	1,107
(74)	Amortisation of intangible assets	(24)
7	Capital element of finance leases where Council is lessor	(20)
(4,475)	Movement in pension liability	(4,195)
(1,563)	Non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(331)
<b>(13,525)</b>	<b>Adjustments for non-cash movements</b>	<b>(8,566)</b>
15	Capital grants & contributions unapplied credited to Comprehensive Income & Expenditure Statement	1,131
1,339	Transfer of cash sales proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	763
-	Transfer from deferred capital receipts reserve on receipt of cash	-
1,354	<b>Adjustments for items that are investing/financing activities</b>	1,894
<b>(2,914)</b>	<b>Net cash flows from operating activities</b>	<b>(2,680)</b>
1,568	Purchase of property, plant & equipment, investment property & intangible assets	2,477
38,919	Purchase of short & long term investments	68,500
(1,810)	Proceeds from sale of property, plant & equipment, investment property & intangible assets	(515)
(39,000)	Proceeds from short & long term investments	(68,500)
(139)	Other receipts from investing activities	(1,296)
<b>(462)</b>	<b>Net cash flows from investing activities</b>	<b>666</b>
-	Cash receipts of borrowing	-
(653)	Other receipts from financing activities	(2,864)
2,478	Repayments of borrowing	-
258	Other payments for financing activities	2,397
<b>2,083</b>	<b>Net cash flows from financing activities</b>	<b>(467)</b>
-	Local Government Pension Scheme deficit contribution	-
<b>(1,293)</b>	<b>Net increase or decrease in cash &amp; equivalents</b>	<b>(2,481)</b>
(930)	Cash & equivalents brought forward	(2,223)
<b>(2,223)</b>	<b>Cash &amp; equivalents carried forward</b>	<b>(4,704)</b>

# Notes to the Financial Statements

## 1. Accounting Policies

### i. General principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which is required to be prepared in accordance with accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and 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.

Materiality levels throughout the accounts are based upon the relevance to the users of the accounts and notes and the amounts advised to the Council by its external auditors (£1.250m), triviality levels are advised to be £0.062m.

### ii. Accruals of income and expenditure

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

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

### iii. Cash and cash equivalents

Cash is represented by cash in hand and deposits with the financial institutions repayable without penalty on notice of not more than 24 hours. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

### iv. Prior period adjustments, changes in Accounting Policies and estimates and errors

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

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

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

#### v. Charges to revenue for non-current assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. These are therefore reversed out by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

#### vi. Council Tax and Non Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principal for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks 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 council tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above 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 Financing and Investment Income and Expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

#### vii. Employee benefits

##### Benefits payable during employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, annual leave and sick leave and non-monetary benefits for current employees that are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements or other form of leave, e.g. 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 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 benefits 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 Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service at the earlier of when the Council can no longer withdraw the offer of those benefits or costs for a restructuring are recognised.

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

## Post-employment benefits

Employees of the Council (unless they chose to opt out) are members of the Local Government Pensions Scheme, administered by Staffordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

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

- The liabilities of the Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and forecasts of projected earnings for current employees;
- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (2.3% for the unfunded scheme);
- The assets of Staffordshire Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price;
  - Unquoted securities – professional estimate;
  - Unitised securities – current bid price;
  - Property – market value.

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

- Service Cost comprising:
  - Current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
  - Past service cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
  - Net interest on the net defined benefit liability/asset, i.e. net interest expense for the Council - the change during the period in the net defined benefit liability/asset that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability/asset at the beginning of the period, taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments;

- Remeasurements 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 Staffordshire Pension Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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 to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary benefits**

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

### **viii. Events after the Balance Sheet date**

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

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

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

### **ix. Financial instruments**

#### **Financial liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council 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 (CIES) 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 the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

## 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. The financial assets that the Council holds are measured at amortised cost.

### Financial assets measured at amortised cost

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### Short term investments

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12 month or lifetime basis. Lifetime losses are recognised for trade receivables (debtors) held by the Council.

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

### Instruments entered into before 1 April 2006

The Council has entered into a financial guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts to the extent that a contingent liability note is needed under the policies set out in the section on provisions, contingent liabilities and contingent assets.

## x. Foreign currency translation

Where the Council 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 reconverted at the spot exchange rate 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.

## xi. Government grants and contributions

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement (CIES) until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that

the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

Where capital grants are credited to the CIES, 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.

## **xii. Heritage assets**

The Council's heritage assets are either held in its Museum or consist of outdoor structures of various kinds. All of these assets are tangible. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below:

### **Museum collection**

These items are reported in the Balance Sheet at insurance valuation, which is based on market values as assessed by an external valuer in October 2006. These valuations are updated where necessary by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. It is considered that obtaining a complete revaluation each year for all items would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. No depreciation is charged since the items in the collection are deemed to have indeterminate lives.

### **Outdoor structures**

There is no reliable cost or valuation information available to enable these items to be valued. Consequently, they are not recognised on the Balance Sheet.

### **General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Heritage assets may occasionally be disposed of which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see note 'xviii').

## **xiii. Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES). 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 CIES. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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.

#### **xiv. Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

#### **xv. Investment property**

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

Investment properties are measured initially at cost and subsequently at fair value, 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, however their values are considered each year according to market conditions at the year-end (i.e. if any properties or classes of properties, following consideration are thought likely to be subject to a valuation change, they are revalued). In any case every property is revalued once every five years according to a rolling programme of revaluations. Gains and losses on revaluation are posted to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

#### **xvi. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

#### **The Council as lessee**

##### **Finance leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset.

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 Council at the end of the lease period).

The Council 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. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

### **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 even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as lessor**

#### **Finance leases**

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

### **Operating leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **xvii. 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.

## xviii. 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.

### Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. No de-minimis level, below which expenditure is not capitalised, applies. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### Measurement

Assets are initially measured at cost, comprising:

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

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

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the taxation and non-specific grant income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in a donated assets account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund balance to the capital adjustment account in the Movement in Reserves Statement.

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

- Infrastructure and assets under construction – depreciated historical cost. Where the historical cost is unknown, a nominal value of £1 is attributed to the asset concerned;
- Community assets - depreciated historical cost, or the valuation option as per section 4.10 of the Code of Practice on local government accounting (this permits valuations by any method that is appropriate and relevant);
- 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 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 current value at the year-end, but as a minimum every five years. Assets within each asset class are revalued together to ensure consistency of valuation within class. Increases in valuations are matched by credits to the revaluation reserve to recognise unrealised gains.

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

- Where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains);

- Where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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 by:

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

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

### **Depreciation**

Depreciation is provided 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 (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Depreciation is calculated on the following bases:

- Dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer;
- Vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- Infrastructure - straight-line allocation over estimated life of asset.

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 been recognised had they not been classified as held for sale and their

recoverable amount at the date of the decision not to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of 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. These are required to be credited to the capital receipts reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, 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.

## **xix. Provisions, contingent liabilities and contingent assets**

### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation and are measured 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 (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

### **Contingent liabilities**

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

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

## **xx. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance. 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 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, local taxation and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### xxi. Revenue expenditure funded from capital under statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure (less any grant or contribution received towards it) 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.

#### xxii. 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.

#### xxiii. Fair value measurement

Some non-financial assets such as surplus assets and investment properties are measured 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 takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market. Measurement uses the assumptions that market participants would use when pricing an asset or liability, assuming they are acting in their best economic interest and takes account of their ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Valuation techniques appropriate in the circumstances are used and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1 - quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date;

Level 2 - inputs other than quoted prices that are observable for the asset, either directly or indirectly;

Level 3 - unobservable inputs for the asset or liability.

## 2. Accounting Standards that have been issued but have not yet been adopted

At the balance sheet date the following new standards and amendments to existing standards that are deemed to have material significance to the Council, have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). Implementation for local government has been deferred to 1 April 2021. The impact on the Council's Statement of Accounts is not fully known at the current time.

## 3. Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1 the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

#### **4. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The significant items in the Council's Balance Sheet at 31 March 2020 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- The recoverable amounts in relation to debtors.
- Principal actuarial assumptions used at the balance sheet date in respect of the defined benefit pension scheme.
- The outbreak of the Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets and market activity is being impacted in many sectors. As at the valuation date, the Valuer has considered that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Valuations are therefore reported as being subject to 'material valuation'. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case.
- Fair values for financial assets that are not based on recently observed market prices.
- The business rates retention scheme came into effect on 1 April 2013. The accounts include a provision for the estimated costs of appeals that have been lodged with the valuation office. This is a complex calculation based on past success levels. As at 31 March 2020 the Council's share of the estimated appeals against business rates is £1.758m.

#### **5. Events after the reporting period**

The Statement of Accounts was authorised for issue by the Executive Director (Resources and Support Services) on 17 July 2020. Events taking place after this date are not reflected in the financial statements or notes. There were no material events taking place before this date about conditions existing at 31 March 2020 which required the amendment of figures in the financial statements or notes to the financial statements.

## 6. Expenditure and Funding Analysis

This analysis shows how expenditure is used and funded from resources (government grants, council tax and business rates) by the Council compared to resources consumed or earned in accordance with accounting practices. It also shows how expenditure is allocated for decision making purposes between the Council's Directorates. Income and expenditure accounted for under accounting practice is presented fully in the Comprehensive Income and Expenditure Statement (page 24).

Net expenditure chargeable to the General Fund	2018/19			2019/20		
	£000	Adjustments between funding & accounting Basis £000		Net Expenditure - Comprehensive Inc & Exp Statement £000	Net expenditure chargeable to the General Fund £000	Adjustments between funding & accounting basis £000
2,533	37	2,570	Chief Executive	1,907	89	1,996
3,310	322	3,632	Resources & Support Services	3,831	660	4,491
1,871	3,001	4,872	Regeneration & Development	1,580	1,294	2,874
6,117	2,462	8,579	Operational Services	4,846	4,157	9,003
781	623	1,404	Corporate	714	(280)	434
<b>14,612</b>	<b>6,445</b>	<b>21,057</b>	<b>Net cost of services</b>	<b>12,878</b>	<b>5,920</b>	<b>18,798</b>
<b>(13,723)</b>	<b>1,923</b>	<b>(11,800)</b>	<b>Other income and expenditure</b>	<b>(13,322)</b>	<b>(1,484)</b>	<b>(14,806)</b>
<b>889</b>	<b>8,368</b>	<b>9,257</b>	<b>Surplus or deficit</b>	<b>(444)</b>	<b>4,436</b>	<b>3,992</b>
<b>4,019</b>			<b>Opening General Fund/other useable reserves balance (MIRS-p25)</b>	<b>3,130</b>		
<b>(889)</b>			<b>Less/plus surplus or deficit on General Fund balance in year</b>	<b>444</b>		
<b>3,130</b>			<b>Closing General Fund/other useable reserves balance (MIRS-p25)</b>	<b>3,574</b>		

- The General Fund balance includes £2.333m of earmarked reserves, leaving a general balance of £1.241m.

## 6a. Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement.

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for capital purposes (Note 1)	Net change for the pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
2019/20	£000	£000	£000	£000
Chief Executive	-	70	19	89
Resources & Support Services	439	227	(6)	660
Regeneration & Development	1,111	173	10	1,294
Operational Services	3,551	545	61	4,157
Corporate	-	(280)	-	(280)
<b>Net cost of services</b>	<b>5,101</b>	<b>735</b>	<b>84</b>	<b>5,920</b>
<b>Other income and expenditure</b>	<b>(1,592)</b>	<b>1,859</b>	<b>(1,751)</b>	<b>(1,484)</b>
<b>Difference between General Fund surplus or deficit &amp; Comprehensive Income &amp; Expenditure Statement surplus or deficit on the provision of services</b>	<b>3,509</b>	<b>2,594</b>	<b>(1,667)</b>	<b>4,436</b>

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for capital purposes (Note 1)	Net change for the pensions adjustments (Note 2)	Other differences (Note 3)	Total adjustments
2018/19	£000	£000	£000	£000
Chief Executive	3	41	(7)	37
Resources & Support Services	239	125	(42)	322
Regeneration & Development	2,896	119	(14)	3,001
Operational Services	2,224	236	2	2,462
Corporate	-	623	-	623
<b>Net cost of services</b>	<b>5,362</b>	<b>1,144</b>	<b>(61)</b>	<b>6,445</b>
<b>Other income and expenditure</b>	<b>1,161</b>	<b>1,802</b>	<b>(1,040)</b>	<b>1,923</b>
<b>Difference between General Fund surplus or deficit &amp; Comprehensive Income &amp; Expenditure Statement surplus or deficit on the provision of services</b>	<b>6,523</b>	<b>2,946</b>	<b>(1,101)</b>	<b>8,368</b>

### Notes

#### 1. Adjustments for capital purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e. minimum revenue provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable

without conditions or for which conditions were satisfied. The taxation and non-specific grant income and expenditure line is credited with capital grants receivable without conditions or for which conditions were satisfied.

## 2. Net change for the pensions adjustments

This column shows the net change for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- **For services** – this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## 3. Other differences

This column shows other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable recognised under statute.

The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and Business Rates that was projected to be received at the start of the year and the income recognised under accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund.

## 7. Segmental income and expenditure

The Code of Practice on Local Authority Accounting in the United Kingdom requires that where certain items of significant income and expenditure are included in the 'net expenditure chargeable to the general fund' as shown in the Expenditure and Funding Analysis, these must be disclosed in a separate note as shown below:

2018/19 £000	Segment	2019/20 £000
	<b><i>Depreciation &amp; amortisation</i></b>	
3	Chief Executive	-
165	Resources & Support Services	292
190	Regeneration & Development	354
1,189	Operational Services	2,759
<b>1,547</b>	<b>Total</b>	<b>3,405</b>
	<b><i>Impairment</i></b>	
-	Chief Executive	-
74	Resources & Support Services	146
512	Regeneration & Development	459
638	Operational Services	654
<b>1,224</b>	<b>Total</b>	<b>1,259</b>
	<b><i>External Income</i></b>	
302	Chief Executive	487
1,180	Resources & Support Services	711
5,055	Regeneration & Development	4,197
5,451	Operational Services	6,810
108	Corporate	91
<b>12,096</b>	<b>Total</b>	<b>12,296</b>

## 8. Adjustments between accounting basis and funding basis

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2019/20	General Fund balance	Capital receipts reserve	Capital grants unapplied	Unusable reserves
	£000	£000	£000	£000
<b>Adjustments primarily involving - capital adjustment account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Charges for depreciation & impairment of non-current assets	(4,640)			4,640
Revaluation losses on property, plant & equipment	(1,568)			1,568
Movements in fair value of investment properties	1,107			(1,107)
Amortisation of intangible assets	(24)			24
Reversal of REFCUS expenditure	(380)			380
Reversal of REFCUS income	380			(380)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(331)			331
Capital element of finance leases where Council is the lessor	(20)			20
Application of capital grants received in advance	33			(33)
Statutory provision for the financing of capital investment	40			(40)
<b>Adjustments primarily involving - capital grants unapplied account</b>				
Transfer of grant from revenue to the capital grants unapplied account	1,131		(1,131)	
Application of grants to capital finance transferred to the capital adjustment account			311	(311)
<b>Adjustments primarily involving - capital receipts reserve</b>				
Transfer of sales proceeds from revenue to the capital receipts reserve	763	(763)		
Use of the capital receipts reserve to finance capital		2,199		(2,199)
Transfer from deferred capital receipts reserve on receipt of cash		(11)		11
<b>Adjustments primarily involving - pensions reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,556)			6,556
Employers pension contributions and direct payments to pensioners payable in the year	3,962			(3,962)
<b>Adjustments primarily involving - collection fund adjustment account</b>				
Amount That Council Tax & Non-Domestic Rating income credited to the Comprehensive Income & Expenditure Statement differs From Council Tax & Non-Domestic Rating income calculated for the year	1,751			(1,751)
<b>Adjustments primarily involving - accumulated absences account</b>				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	(84)			84
<b>Total adjustments</b>	<b>(4,436)</b>	<b>1,425</b>	<b>(820)</b>	<b>3,831</b>

2018/19	General Fund balance £000	Capital receipts reserve £000	Capital grants unapplied £000	Unusable reserves £000
<b>Adjustments primarily involving - capital adjustment account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>				
Charges for depreciation & impairment of non-current assets	(2,809)	-	-	2,809
Revaluation losses on property, plant & equipment	(2,591)	-	-	2,591
Movements in fair value of investment properties	(471)	-	-	471
Amortisation of intangible assets	(74)	-	-	74
Reversal of REFCUS expenditure	(1,574)	-	-	1,574
Reversal of REFCUS income	1,574	-	-	(1,574)
Non-current assets written-off on disposal or sale as part of the gain/loss on disposal	(1,563)	-	-	1,563
Capital element of finance leases where Council is the lessor	7	-	-	(7)
<b>Adjustments primarily involving - capital grants unapplied account</b>				
Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	15	-	(15)	-
Application of grants to capital financing transferred to the capital adjustment account	-	-	141	(141)
<b>Adjustments primarily involving - capital receipts reserve</b>				
Transfer of sales proceeds from revenue to the capital receipts reserve	1,339	(1,339)	-	-
Use of the capital receipts reserve to finance capital	-	1,266	-	(1,266)
Transfer from deferred capital receipts reserve on receipt of cash	-	(7)	-	7
<b>Adjustments primarily involving - pensions reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(6,875)	-	-	6,875
Employers pension contributions and direct payments to pensioners payable in the year	3,929	-	-	(3,929)
<b>Adjustments primarily involving - collection fund adjustment account</b>				
Amount That Council Tax & Non-Domestic Rating income credited to the Comprehensive Income & Expenditure Statement differs From Council Tax & Non-Domestic Rating income calculated for the year	665	-	-	(665)
<b>Adjustments primarily involving - accumulated absences account</b>				
Amount by which Officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis differs from remuneration chargeable calculated for the year	60	-	-	(60)
<b>Total adjustments</b>	<b>(8,368)</b>	<b>(80)</b>	<b>126</b>	<b>8,322</b>

## 9. Movements in earmarked reserves

2018/19				2019/20		
Transfers out £000	Transfers in £000	Net movement £000		Transfers out £000	Transfers in £000	Net movement £000
-	248	248	General Fund	(207)	-	(207)
(111)	91	(20)	Equipment replacement fund	(70)	-	(70)
(191)	191	-	Renewals and repairs fund	(179)	179	-
(92)	74	(18)	ICT development fund	(78)	51	(27)
-	-	-	Organisational capacity fund	(125)	125	-
(110)	-	(110)	Income reserve (prev. contingency)	-	-	-
(205)	152	(53)	Budget support fund	(440)	1,450	1,010
(17)	10	(7)	Conservation and heritage fund	(11)	-	(11)
-	-	-	Museum purchases fund	-	75	75
(75)	-	(75)	Maintenance contributions	-	-	-
(4)	-	(4)	Mayors charities reserve	(1)	-	(1)
-	-	-	Clayton Community Centre fund	-	4	4
-	56	56	Borough growth fund	(274)	248	(26)
(7)	-	(7)	Standards reserve	-	-	-
(46)	-	(46)	Keele masterplan reserve	(12)	-	(12)
(853)	-	(853)	Business Rates reserve	(817)	526	(291)
<b>(1,711)</b>	<b>822</b>	<b>(889)</b>	<b>Total</b>	<b>(2,214)</b>	<b>2,658</b>	<b>444</b>

## 10. Other operating expenditure

2018/19 £000		2019/20 £000
559	Parish precepts	587
413	(Gains)/losses on disposal of non-current assets	201
(375)	Capital income not arising from asset sales	(633)
<b>597</b>	<b>Total</b>	<b>155</b>

## 11. Financing and investment income and expenditure

2018/19 £000		2019/20 £000
5	Interest payable & similar charges	-
1,802	Interest on the net defined benefit liability	1,859
(83)	Interest receivable & similar income	(89)
(1,025)	Investment properties - income	(974)
471	Investment properties - revaluations	(1,106)
1,219	Investment properties - expenses	804
<b>2,389</b>	<b>Total</b>	<b>494</b>

## 12. Taxation and non-specific grant income and expenditure

2018/19 £000		2019/20 £000
(7,519)	Council Tax income	(7,802)
9,470	Non Domestic Rates expenditure	9,325
(14,519)	Non Domestic Rates income	(15,855)
(2,203)	Non-ringfenced Government grants	(1,090)
(15)	Capital grants & contributions	(33)
<b>(14,786)</b>	<b>Total</b>	<b>(15,455)</b>

### 13. Expenditure and income analysed by nature

The Council's expenditure and income is analysed as follows:

2018/19 £000		2019/20 £000
	<b>Expenditure</b>	
18,489	Employees	19,281
2,499	Premises	2,372
857	Transport	827
5,494	Supplies and services	4,332
1,918	Grants and contributions	680
833	Agency and contracted services	814
28,566	Housing Benefits payments	25,275
5,950	Capital financing	5,125
9,385	Sources of finance expenditure	9,325
5,080	Pensions interest cost	5,049
<b>79,071</b>	<b>Total expenditure</b>	<b>73,080</b>
	<b>Income</b>	
375	Capital income not arising from asset sales	633
(600)	Gains/(losses) on disposal of non current assets	(201)
20,063	Sources of finance income	21,414
32,789	Government grants	29,747
140	Transfer from Collection Fund	139
1,780	Other grants and contributions	2,088
1,802	Reimbursements	1,545
8,836	Customer receipts	8,594
898	Rents	908
83	Interest and investment income	89
3,278	Pensions return on assets	3,190
370	Other income	942
<b>69,814</b>	<b>Total income</b>	<b>69,088</b>
<b>9,257</b>	<b>Surplus or deficit on provision of services</b>	<b>3,992</b>

### 14. External audit costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts and certification of grant claims by the Council's external auditors (Grant Thornton):

2018/19 £000		2019/20 £000
42	External audit services carried out	42
9	Certification of grant claims and returns	12
-	Additional charges re. 2018/19	15
<b>51</b>		<b>69</b>

### 15. Members' allowances

In 2019/20 a total of £251,863 was paid to members (including the Mayor and Deputy Mayor) in respect of allowances (£251,097 in 2018/19). In addition £1,500 of expenses were paid to members during 2019/20 (£2,734 in 2018/19).

### 16. Termination benefits

The Council terminated the contracts of a number of employees in 2019/20, incurring liabilities of £205,458 (£140,317 in 2018/19). The termination benefits consisted of £200,390 for loss of office and £5,068 in relation to long service awards.

## 17. Officers' remuneration

Remuneration between £50,000 and £150,000 per annum was paid to the Council's senior employees as follows:

2019/20 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive*	114,132	-	114,132	19,517	133,649
<b>Executive Directors</b>					
Operational Services	90,926	-	90,926	15,548	106,474
Resources & Support Services^	37,886	-	37,886	6,479	44,365
<b>Heads of Service</b>					
Operations	62,802	-	62,802	10,680	73,482
Recycling and Fleet Services	56,632	-	56,632	9,684	66,316
Planning^^	12,331	-	12,331	2,109	14,440
Housing	47,694	-	47,694	8,156	55,850
Leisure and Cultural Services	59,618	-	59,618	10,194	69,812
Communications	53,615	-	53,615	9,168	62,783
Environmental Health Services	60,960	-	60,960	10,429	71,389
People and Organisational Development^^	11,674	-	11,674	1,996	13,670
Customer and ICT^^	28,827	-	28,827	2,812	31,639
Finance^^	28,827	1,245	30,072	3,490	33,562
Legal and Governance Services^^	16,469	-	16,469	2,816	19,285

2018/19 - Post holder	Salary (£)	Benefits in kind (£)	Total exc. employer pension (£)	Employer pension (£)	Total inc. employer pension (£)
Chief Executive^^	53,698	-	53,698	9,034	62,732
<b>Executive Directors</b>					
Operational Services	89,143	1,247	90,390	15,243	105,633
Resources & Support Services	89,143	-	89,143	15,243	104,386
Regeneration & Development^	66,857	2,049	68,906	12,920	81,826
<b>Heads of Service</b>					
Operations	56,207	1,338	57,545	9,611	67,156
Recycling and Fleet Services	54,059	422	54,481	9,244	63,725
Planning	58,449	-	58,449	9,995	68,444
Leisure and Cultural Services	58,449	-	58,449	9,995	68,444
Communications	52,861	-	52,861	9,039	61,900
Environmental Health	58,352	-	58,352	9,996	68,348
Audit & Elections^	21,902	687	22,589	3,745	26,334
Human Resources^	43,803	-	43,803	6,741	50,544
Customer & ICT**^	8,952	-	8,952	1,531	10,483
Finance**^	18,259	-	18,259	-	18,259

\* This includes salary of £105,851 plus Returning Officers fees for the Parliamentary and EU Elections in 2019/20.

\*\* These staff worked part time, their full time equivalent salary would exceed £50,000 per annum.

^ These post holders left during the year, their full time equivalent salary would exceed £50,000 per annum.

^^ These post holders started during the year, their full time equivalent salary would exceed £50,000 per annum.

## 18. Grant income

The Council credited the following grants and contributions to the Comprehensive Income and Expenditure:

2018/19 £000		2019/20 £000
	<b>Credited to taxation/non specific grant</b>	
15	Capital Grants	33
174	Other Government grants	155
1,331	Section 31/Business Rates relief grant	1,656
1,262	New Homes Bonus scheme	935
589	Revenue Support Grant	-
<b>3,371</b>	<b>Total</b>	<b>2,779</b>
	<b>Credited to services</b>	
28,258	Housing Benefits subsidy/grants	24,944
484	Housing Benefit/Council Tax Benefit admin	447
1,574	Disabled Facilities Grant	1,512
48	Individual Electoral Registration Section 31	35
500	Air Quality	945
-	Future High Street Fund	485
77	Homelessness	125
206	Other grants and contributions	459
50	Contributions towards Community Safety	104
<b>31,197</b>	<b>Total</b>	<b>29,056</b>

## 19. Property, plant and equipment

### Movements on balances

2019/20	Land & buildings	Infrastructure assets	Vehicles, plant, furniture & equipment	Community assets	Surplus assets	Total
	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>						
<b>At 1 April 2019</b>	<b>32,238</b>	<b>1,339</b>	<b>17,731</b>	<b>7,874</b>	<b>676</b>	<b>59,858</b>
Transfers regarding historical variances		-	41	(38)	-	3
Additions	812	32	1,035	305	65	2,249
Accumulated depreciation /impairment written out	(2,048)	-	-	(30)	-	(2,078)
Revaluation increases/(decreases) - revaluation reserve	1,303	-	-	415	-	1,718
Revaluation increases/(decreases) - surplus/deficit on provision of services	(1,525)	-	-	(93)	-	(1,618)
Derecognition - disposals	-	-	(2,573)	-	-	(2,573)
<b>At 31 March 2020</b>	<b>30,780</b>	<b>1,371</b>	<b>16,234</b>	<b>8,433</b>	<b>741</b>	<b>57,559</b>
<b>Accumulated depreciation &amp; impairment</b>						
<b>At 1 April 2019</b>	<b>(1,757)</b>	<b>(500)</b>	<b>(8,149)</b>	<b>(1,242)</b>	<b>-</b>	<b>(11,648)</b>
Transfers regarding historical variances	297	-	(582)	335	-	50
Depreciation charge	(747)	(36)	(2,389)	(209)	-	(3,381)
Accumulated depreciation/impairment written out	2,049	-	-	31	-	2,080
Impairment losses/(reversals) - revaluation reserve	(472)	(1)	-	(9)	-	(482)
Impairment losses/(reversals) - surplus/deficit on provision of services	(338)	(30)	(354)	(259)	(65)	(1,046)
Derecognition - disposals			2,241			2,241
<b>At 31 March 2020</b>	<b>(968)</b>	<b>(567)</b>	<b>(9,233)</b>	<b>(1,353)</b>	<b>(65)</b>	<b>(12,186)</b>
<b>Net book value</b>						
As at 31 March 2019	30,481	839	9,582	6,632	676	48,210
As at 31 March 2020	29,812	804	7,001	7,080	676	45,373

2018/19	Land & buildings	Infrastructure assets	Vehicles, plant, furniture & equipment	Community assets	Assets under construction	Surplus assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
<b>At 1 April 2018</b>	<b>28,286</b>	<b>1,338</b>	<b>17,820</b>	<b>7,779</b>	<b>4,194</b>	<b>830</b>	<b>60,247</b>
Additions	172	-	423	171	-	-	766
Revaluation increases/(decreases) - revaluation reserve	3,219	1	-	105	-	-	3,325
Revaluation increases/(decreases) - surplus/deficit on provision of services	(3,755)	-	(77)	(171)	-	-	(4,003)
Derecognition - disposals	(221)	-	(435)	(10)	-	-	(666)
Transfers between asset categories	4,537	-	-	-	(4,194)	(154)	189
<b>At 31 March 2019</b>	<b>32,238</b>	<b>1,339</b>	<b>17,731</b>	<b>7,874</b>	<b>-</b>	<b>676</b>	<b>59,858</b>
<b>Accumulated depreciation &amp; impairment</b>							
<b>At 1 April 2018</b>	(2,923)	(474)	(7,809)	(1,180)	-	-	(12,386)
Depreciation charge	(665)	(26)	(594)	(216)	-	-	(1,501)
Accumulated depreciation/impairment written out	1,831	-	-	154	-	-	1,985
Derecognition - disposals	-	-	254	-	-	-	254
<b>At 31 March 2019</b>	<b>(1,757)</b>	<b>(500)</b>	<b>(8,149)</b>	<b>(1,242)</b>	<b>-</b>	<b>-</b>	<b>(11,648)</b>
<b>Net book value</b>							
As at 31 March 2018	25,363	864	10,011	6,599	4,194	830	47,861
As at 31 March 2019	30,481	839	9,582	6,632	-	676	48,210

## Depreciation

Depreciation is applied on a straight line basis. No depreciation is applied to land. Where an asset includes land, the value of this element is excluded before applying depreciation. A 10% residual value is assumed in most cases, which is deducted from the depreciable amount before applying depreciation.

The following useful lives have been used:

- Land and buildings - 60 years, unless the valuation basis is depreciated replacement cost, where individual lives apply to each asset;
- Vehicles, plant, furniture and equipment – between 5 and 15 years dependent upon an assessment of the asset;
- Infrastructure - no specific life. Depreciation is based on a historical composite calculation;
- Community assets - 20 years.

## Capital commitments

There are no capital commitments at 31 March 2020. There were no capital commitments at 31 March 2019.

## Asset classes

For the purposes of valuation assets are grouped into classes. Assets within a class are all valued at the same time. The table below shows the different classes with the total valuation of assets within each as at 31 March 2020 and for the prior period.

31/03/2019 £000		31/03/2020 £000
676	Surplus assets	741
	<b>Land and buildings</b>	
3,793	Community Centres	3,666
6,525	Car Parks	6,270
1,650	Depot	1,200
5,505	Offices	5,490
221	Guildhall	218
221	Bus Station	211
970	Cemeteries	953
533	Crematorium	509
9,930	Leisure Centres	9,650
1,796	Parks and Sports grounds	1,759
520	Museum	326
60	Public toilets	46
95	Business Centre	89
419	Other land and buildings	393
1,339	Infrastructure assets	1,371
17,731	Vehicles, plant, furniture, equipment	16,234
7,874	Community assets	8,433
<b>59,858</b>	<b>Total</b>	<b>57,559</b>

## Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is re-valued at least every five years. All valuations are carried out internally. Valuations of land and buildings are carried out in accordance with the professional standards of the Royal Institution of Chartered Surveyors using the BCIS indices. Valuations of vehicles, plant, and equipment are based on historic cost. The significant assumptions applied in estimating the fair values are, whether a property asset is a specialised asset, which governs its valuation treatment, whether an asset is being used for operational purposes and whether there is any impairment applicable to the asset.

Valuations over the rolling period were as follows:

	Land & buildings £000	Vehicles, plant, furniture & equipment £000	Community assets £000	Infrastructure assets £000	Surplus assets £000	Total £000
Carried at historical cost	3,471	16,234	6,179	1,371	-	27,255
Valued at fair value at:						
31 March 2016	250	-	68	-	-	318
31 March 2017	357	-	-	-	395	752
1 April 2017	5,990	-	930	-	-	6,920
1 April 2018	-	-	1	-	-	1
31 March 2020	20,712	-	1,255	-	346	22,313
<b>Total cost or valuation</b>	<b>30,780</b>	<b>16,234</b>	<b>8,433</b>	<b>1,371</b>	<b>741</b>	<b>57,559</b>

## Fair value measurement of surplus assets

Surplus assets are measured at fair value. Level 3 of the fair value hierarchy applies in estimating the fair values and the valuation technique employed is the investment basis, using the rental value and yield as unobservable inputs. Significant changes in any of these inputs will result in a lower or higher fair value. There have been no changes in any of the valuation techniques employed during the year.

## 20. Investment properties

There are no restrictions on the Council's ability to realise the value of its investment property or on the Council's right to the receipt of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of level 3 investment properties over the year:

2018/19 £000		2019/20 £000
<b>17,835</b>	<b>Balance at 1 April</b>	<b>16,415</b>
477	Additions - subsequent expenditure	43
(1,152)	Disposals	-
(556)	Net gains/(losses) - fair value adjustments	1,107
(189)	Transfers (to)/from property, plant & equipment	(3)
<b>16,415</b>	<b>Balance at 31 March</b>	<b>17,562</b>

### Valuation techniques used to determine Level 3 fair values for investment properties

The fair value for development sites is based on the market approach using current market conditions, sales prices and other relevant information for similar assets in the area. Local market conditions are such that similar land is not extensively purchased and sold and the level of observable inputs are not significant leading to categorisation at level 3 in the fair value hierarchy.

Other investment properties are valued using the investment approach, whereby actual or estimated rental income is capitalised to provide a capital value. The rental income is calculated by reference to actual or estimated values having regard to market evidence. The yield multiplier is based on comparable evidence. These properties are, therefore, categorised as level 3 in the fair value hierarchy as the measurement technique uses significant unobservable inputs to determine the fair value measurements.

The following table shows quantitative information relating to fair value measurement of investment properties using significant unobservable inputs.

Investment property type	31/03/2020 £000	Valuation technique used to measure fair value	Unobservable Inputs	Sensitivity
Shops	2,261	Investment method	Rental values yield	(a)
Offices	1,319	Investment method	Rental values yield	(a)
Industrial units	3,302	Investment method	Rental values yield	(a)
Other	2,569	Investment method	Rental values yield	(a)
Development sites	8,111	Comparable method	Capital value	(a)
	<b>17,562</b>			

(a) Significant changes in rental value, yield or capital value will result in a varied fair value

Valuation techniques include the use of BCIS indices for 2019/20, in previous years SPONS indices have been utilised.

In estimating the fair value of investment properties, the highest and best use of the properties is their current use.

The fair value of investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the professional standards of the Royal Institution of Chartered Surveyors.

## 21. Heritage assets

### Reconciliation of the carrying value of heritage assets held by the Council

The Council's collection of museum artefacts is reported in the Balance Sheet (page 26) at an insurance valuation of £1.429m, which is based on market values as assessed by an external valuer in October 2006.

These valuations are updated by the museum curator in respect of significant items and changes. New items are added at cost, if purchased and at valuation, if donated, where they are significant. Other Heritage assets, i.e. outdoor structures, are not recognised on the Balance Sheet because there is no reliable cost or valuation information to enable them to be valued. There have been no movements in the valuation of heritage assets during 2019/20.

### Museum exhibits

The museum holds a collection of around 20,000 objects, falling into the following categories:

Subject	Description	%
Social history	Domestic and working life, childhood, civic regalia, industry, crafts in the Borough	28%
Decorative art	Ceramics, glass, costume and textiles, furniture, furnishings	8%
Militaria	Costume, medals, weapons, ephemera	3%
Fine art	Oils, watercolours, prints, drawings, sketches of local scenes, local artists	3%
Archives	Documents, ephemera, prints, negatives, lantern slides, cine film, video, audio tapes connected to the local area	55%
Archaeology	Local excavated finds, chance finds	2%
Numismatics	A collection of local coinage/tokens, bank notes, commemorative medals	1%

In addition, the civic regalia and mayoral robes are kept in a secure location to be used on ceremonial occasions.

### Outdoor structures

This category of heritage assets comprises of the Queen Victoria Statue and Sergeant Fred Kite Memorial, Queens Gardens; Fountains, Nelson Place; Castle Motte, Queen Elizabeth Park; Silverdale Cemetery Gazebo; Ice House, Chesterton Memorial Park; Mining Memorials at Bateswood and Silverdale; Lyme Valley Canal Basin.

## 22. Debtors

31/03/2019 £000	Short term	31/03/2020 £000
1,636	Trade receivables	1,239
6,332	Other receivable amounts	11,198
<b>7,968</b>	<b>Total</b>	<b>12,437</b>

31/03/2019 £000	Long term	31/03/2020 £000
146	Finance lease balances outstanding	127
296	Kickstart loans (re. home improvements)	286
<b>442</b>	<b>Total</b>	<b>413</b>

## 23. Creditors

31/03/2019 £000		31/03/2020 £000
274	Trade payables	717
7,081	Other payables	10,589
<b>7,355</b>	<b>Total</b>	<b>11,306</b>

## 24. Provisions

	Short term	Long term			Total long term £000
	NDR appeals £000	Insurance claims £000	MMI £000	NDR appeals £000	
<b>Balance at 1 April 2018</b>	<b>1,004</b>	<b>148</b>	<b>25</b>	<b>874</b>	<b>1,047</b>
Additional provisions made	741	14	9	-	23
Amounts used	(529)	(19)	-	(31)	(50)
<b>Balance at 1 April 2019</b>	<b>1,216</b>	<b>143</b>	<b>34</b>	<b>843</b>	<b>1,020</b>
Additional provisions made	-	8	16	25	49
Amounts used	(326)	(8)	-	-	(8)
<b>Balance at 31 March 2020</b>	<b>890</b>	<b>143</b>	<b>50</b>	<b>868</b>	<b>1,061</b>

The NDR appeals provision provides for the Councils element of refunds payable following successful appeals in relation to the rateable value of business rates payer's properties.

The insurance claims provision has been created to meet the costs of claims which are likely to be settled but where the actual settlement date is uncertain.

The MMI provision has been created to provide for possible claw-back (levy) of sums paid out by the administrator of Municipal Mutual Insurance (MMI), in the event of MMI becoming insolvent.

## 25. Unusable reserves

Balances in relation to the Council's unusable reserves are shown below:

31/03/2019 £000		31/03/2020 £000
	<b>Capital:</b>	
18,818	Revaluation reserve	14,518
42,913	Capital adjustment account	45,561
443	Deferred capital receipts reserve	412
	<b>Revenue:</b>	
(77,741)	Pensions reserve	(59,846)
107	Collection fund adjustment account	1,858
(323)	Accumulated absences account	(407)
<b>(15,783)</b>	<b>Total unusable reserves</b>	<b>2,096</b>

### Revaluation reserve

The revaluation reserve records unrealised gains in the value of property, plant and equipment. The reserve increases when assets are revalued upwards, and decreases as assets are depreciated or assets are revalued downwards or disposed of. The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the capital adjustment account.

The revaluation reserve contains an amendment to correct a number of historical differences that have been identified between the revaluation reserve and the capital adjustment account. The total adjustment is for £4.423m, of which £3.182m predates 2017/18, £0.237m relates to 2017/18 and £1.004m relates to 2018/19.

As the amounts relating to 2017/18 and 2018/19 are below the Council's level of materiality a restatement of the Balance Sheet for prior years has not been undertaken.

Under IAS8.49 a restatement of the Balance Sheet for years prior to 2017/18 is deemed to be impracticable and a disclosure note is considered to be reasonable.

The adjustments made do not impact upon the Council's usable reserves or on the surplus or deficit declared in each year.

2018/19 £000		2019/20 £000
<b>13,772</b>	<b>Balance at 1 April</b>	<b>18,818</b>
-	Adjustment re. capital adjustment account historical variances	(4,423)
5,662	Upward revaluation of assets not charged to the surplus/deficit on the provision of services	4,001
(616)	Downward revaluation of assets & impairment losses not charged to the surplus/deficit on the provision of services	(2,780)
-	Difference between fair value depreciation and historical cost depreciation	(949)
-	Accumulated gains on assets sold or scrapped	(149)
<b>18,818</b>	<b>Balance at 31 March</b>	<b>14,518</b>

### Capital adjustment account

The capital adjustment account is used to reconcile the different rates at which assets are depreciated under proper accounting practice and are financed through the capital controls system. Statute requires that the charge to the General Fund is determined by the capital controls system. The Account also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the revaluation reserve was created to hold such gains.

The following table shows the disclosure to the revaluation reserve regarding the amendment between the revaluation reserve and the capital adjustment account.

2018/19 £000		2019/20 £000
<b>49,014</b>	<b>Balance at 1 April</b>	<b>42,913</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>	
(2,809)	Charges for depreciation/impairment of non-current assets	(4,640)
(74)	Amortisation of intangible Assets	(24)
(1,574)	REFCUS expenditure	(380)
1,574	REFCUS income	380
(1,563)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(331)
(471)	Movements in the market value of investment properties debited or credited to the Comprehensive Income & Expenditure Statement	1,107
(2,591)	Revaluation losses on property, plant and equipment	(1,568)
-	- Application of grants to capital financing from the capital grants received in advance account	33
7	Capital element of finance leases where Council is the lessor	(20)
-	- Minimum revenue provision contribution	40
<b>(7,501)</b>		<b>(5,403)</b>
	<b>Capital financing applied in the year:</b>	
1,266	Use of the capital receipts reserve to finance new capital expenditure	2,199
141	Application of grants to capital financing from the capital grants unapplied account	311
(7)	Capital element of finance leases where Council is the lessor	20
	<b>Adjusting Amounts Written Out of Revaluation Reserve</b>	
-	- Adjustment re. revaluation reserve historical variances	4,423
-	- Difference between fair value depreciation/historical cost depreciation	949
-	- Accumulated gains on assets sold or scrapped	149
<b>(6,101)</b>		<b>2,648</b>
<b>42,913</b>	<b>Balance at 31 March</b>	<b>45,561</b>

### Deferred capital receipts reserve

The deferred capital receipts reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Statute requires that the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement takes place, amounts are transferred to the capital receipts reserve.

2018/19 £000		2019/20 £000
<b>443</b>	<b>Balance at 1 April</b>	<b>443</b>
(7)	Transfer to the capital receipts reserve upon receipt of cash	(11)
7	Capital element of finance leases where Council is the lessor	(20)
<b>443</b>	<b>Balance at 31 March</b>	<b>412</b>

### Pension reserve

The pension reserve is used to reconcile payments made for the year to statutory pension schemes in accordance with the schemes requirements, and the net change in the authority's recognised liability under the Code's adoption of IAS19 – *Employee Benefits*. A transfer is made to or from the pensions reserve to ensure that the charge to the General Fund reflects the amount required to be raised in taxation. For example, the debit balance on the reserve shows that the authority has made commitments to fund pensions that the Government has permitted it to fund from contributions to be made in future years.

2018/19 £000		2019/20 £000
<b>(71,155)</b>	<b>Balance at 1 April</b>	<b>(77,741)</b>
(3,640)	Remeasurements of the net defined benefit liability/(asset)	20,489
(6,875)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services	(6,556)
3,929	Employers pensions contributions and direct payments to pensioners payable in the year	3,962
<b>(77,741)</b>	<b>Balance at 31 March</b>	<b>(59,846)</b>

### Collection fund adjustment account

The collection fund adjustment account is used to reconcile differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement to those amounts required to be charged by statute to the General Fund. For example, the debit balance on the Account shows that less tax has been collected on behalf of the authority and the precepting bodies (and central government in England for non-domestic rates income) than an authority is permitted to transfer out of the Collection Fund by 31 March.

2018/19 £000		2019/20 £000
<b>(558)</b>	<b>Balance at 1 April</b>	<b>107</b>
(55)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year	(293)
720	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non domestic rates income calculated for the year	2,044
<b>107</b>	<b>Balance at 31 March</b>	<b>1,858</b>

### Accumulated absences account

The accumulated absences account absorbs the differences that would arise on the General Fund balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March.

2018/19 £000		2019/20 £000
(383)	<b>Balance at 1 April</b>	<b>(323)</b>
383	Settlement or cancellation of accrual made at the end of the preceding year	323
(323)	Amounts accrued at the end of the current year	(407)
<b>(323)</b>	<b>Balance at 31 March</b>	<b>(407)</b>

## 26. Capital expenditure and capital financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the capital financing requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the table below.

2018/19 £000		2019/20 £000
<b>4,405</b>	<b>Opening capital financing requirement</b>	<b>4,404</b>
	<b>Capital investment</b>	
766	Property, plant & equipment	2,249
477	Investment properties	43
163	Intangible assets	251
1,574	REFCUS	380
	<b>Sources of finance</b>	
(1,266)	Capital receipts	(2,199)
(1,715)	Government grants & other contributions	(724)
-	Sums set aside from revenue	(40)
<b>4,404</b>	<b>Closing capital financing requirement</b>	<b>4,364</b>
	<b>Explanation of movements in year</b>	
-	Capital expenditure financed from internal borrowing	-
<b>(1)</b>	<b>Increase/(decrease) in capital financing requirement</b>	<b>(40)</b>

## 27. Impairment losses

During 2019/20 the Council has recognised the following impairment losses in relation to capital expenditure incurred on enhancing non-current assets that does not increase the value of the asset concerned. An amount equal to this is charged as an impairment loss to the service which uses the asset in the Comprehensive Income and Expenditure Statement.

The total amount of impairment losses for 2019/20 was £1.757m (2018/19 £1.308m). The whole of the impairment loss is reversed out via the Movement in Reserves Statement (page 25) in accordance with statutory provisions so that it is not a charge against council tax.

## 28. Related parties

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central Government

The UK government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides funding in the form of grants and prescribes the terms of many of the transactions that the Council has (e.g. council tax bills, housing benefits).

## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown in Note 15 (page 47). One member is a Director on the Board of the New Victoria Theatre, payments to the New Victoria Theatre during 2019/20 amounted to £48,904. The majority of this is in relation to the annual grant that is provided to the Theatre. The member's term of office commenced 3 May 2018, and the annual grant has been issued for several years before this date. Several members of the Council also have a relationship with the Aspire Housing, Keele University, Staffordshire County Council and Stoke-on-Trent City Council, through either their board membership, work as a County Councillor or regular employment. Those who have board membership or regular employment have no direct influence on the operations involving the Council.

## Officers

No payments have been made to any entities that have a relationship with Council officers during 2019/20.

## 29. Defined benefit pension schemes

### Participation in pension schemes

As part of the terms and conditions of employment of its employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to disclose the payments at the time that employees earn their future entitlement.

The Council participates in:

- The Local Government Pension Scheme (LGPS), administered locally by Staffordshire County Council - this has a career average revalue earnings (CARE) benefit design, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets;
- Arrangements for the award of discretionary post-retirement benefits upon early retirement - this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they fall due;
- The Staffordshire Pension Scheme is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Pensions Committee of Staffordshire County Council. Policy is determined in accordance with the Pension Fund Regulations;
- The principal risks to the Council of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts as described in the accounting policies note.

Formal actuarial valuations are carried out every three years, where each employer's assets and liabilities are calculated on a detailed basis, using individual member data, for cash contribution setting purposes. The 31 March 2019 formal valuations for English and Welsh Local Government Pension Scheme Funds were concluded by 31 March 2020.

The Balance Sheet position as at 31 March 2020 is therefore based on this new roll forward from the 2019 formal valuation. This differs to the balance sheet position as at 31 March 2019 which was based on a roll forward from the 2016 formal valuation.

This 'step change' can lead to sizeable asset and liability 're-measurement experience' items in the reconciliation of the balance sheet from 31 March 2019 to 31 March 2020 as can be seen in the 'Transactions relating to post-employment benefits' table below, in the Comprehensive Income and Expenditure Statement (re-measurement of the defined benefit liability/asset) and in the Balance Sheet (pension liability and pension reserve).

During 2017/18 an advance payment of pension contributions for 2018/19 (£1.529m) and 2019/20 (£1.601m), totalling £3.130m, was made. This was paid in 2017/18 in return for a discount from the pension fund, this significantly reduced the amounts to be charged to the general fund revenue account as pension contributions in 2018/19 and 2019/20.

During 2019/20 the advance payment relating to this year (£1.601m) has been transferred to the general fund revenue account via a transfer from the pension reserve.

### Transactions relating to post-employment benefits

The cost of retirement benefits is recognised in the reported cost of services when they are earned by employees, rather than when the benefits are paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of post-employment benefits is reversed out of the General Fund via the Movement in Reserves Statement (page 25). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

2018/19			2019/20	
LGPS £000	Unfunded benefits £000		LGPS £000	Unfunded benefits £000
		<b>Comprehensive Income &amp; Expenditure Statement</b>		
		<b>Cost of services:</b>		
4,084		Current service cost	4,697	
989		Past service costs/(gains)	-	
-	(440)	Unfunded benefit contributions	-	(435)
		<b>Financing and investment income &amp; expenditure</b>		
1,802	-	Net interest expense	1,859	-
<b>6,875</b>	<b>(440)</b>	<b>Total pension benefit charged to the surplus/deficit on provision of services</b>	<b>6,556</b>	<b>(435)</b>
		<b>Remeasurement of the net defined benefit liability comprising:</b>		
(6,901)	-	- Return on plan assets	13,977	-
-	-	- Changes in demographic assumptions	(7,678)	-
10,394	-	- Changes in financial assumptions	(14,736)	-
147	-	- Other experience	(12,052)	-
<b>3,640</b>	-	<b>Total pension benefit charged to Comprehensive Income &amp; Expenditure Statement</b>	<b>(20,489)</b>	-
		<b>Movement in Reserves Statement</b>		
(6,875)	440	Reversal of net charges made to the surplus/deficit on provision of services for pension benefits	(6,556)	435
		<b>Actual amount charged against the General Fund balance for pensions</b>		
-	-		-	-
3,929	-	Employers' contributions payable to scheme	3,962	-
-	(440)	Retirement benefits payable to pensioners	-	(435)
<b>(2,946)</b>	-		<b>(2,594)</b>	-

### Pensions assets and liabilities recognised in the Balance Sheet

2018/19 £000		2019/20 £000
(210,635)	Present value of defined benefit obligation	(179,823)
134,497	Fair value of plan assets	119,977
<b>(76,138)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(59,846)</b>

## Reconciliation of present value of the scheme liabilities (defined benefit obligation)

2018/19		2019/20
£000		£000
189,202	Present value of funded liabilities	203,854
6,828	Present value of unfunded liabilities	6,781
<b>196,030</b>	<b>Opening position as at 1 April</b>	<b>210,635</b>
4,084	Current service cost	4,697
989	Past service cost	-
5,080	Interest cost	5,049
656	Contributions by scheme participants	684
10,541	Actuarial (gains)/losses	(34,466)
(6,305)	Benefits paid	(6,341)
(440)	Unfunded benefits paid	(435)
<b>210,635</b>	<b>Closing balance as at 31 March</b>	<b>179,823</b>
203,854	Present value of funded liabilities	174,033
6,781	Present value of unfunded liabilities	5,790

## Local Government Pensions Scheme assets comprised

2018/19			2019/20	
Fair value of scheme assets			Fair value of scheme assets	
Quoted £000	Unquoted £000		Quoted £000	Unquoted £000
6,004	-	<b>Equities:</b>	4,449	-
5,145	-	- Consumer	4,805	-
2,155	-	- Manufacturing	1,604	-
4,975	-	- Energy & utilities	4,242	-
3,860	-	- Financial	3,753	-
3,834	-	- Health & care	2,924	-
127	-	- Information technology	104	-
26,100	-	- Other	21,881	-
9,985	-	<b>Bonds</b>	9,654	-
-	-	- Corporate (investment)	-	-
9,985	-	- Corporate (non-investment grade)	9,654	-
-	11,433	<b>Property</b>	-	11,825
-	11,433	UK	-	11,825
60,540	-	<b>Investment funds</b>	51,169	-
10,177	-	- Equities	10,083	-
-	2,350	- Bonds	-	2,135
-	5,415	- Hedge funds	-	6,203
70,717	7,765	- Other	61,252	8,338
-	4,815	Private equity	-	4,999
3,682	-	Cash/cash equivalents	2,028	-
<b>110,484</b>	<b>24,013</b>	<b>Total assets</b>	<b>94,815</b>	<b>25,162</b>

## Reconciliation of the Movements in the fair value of the scheme assets

2018/19 £000		2019/20 £000
128,005	<b>Opening value of scheme assets</b>	134,495
	<b>Remeasurement gain/(loss):</b>	
3,278	Interest Income on plan assets	3,190
6,901	Return on assets excluding net interest	(13,977)
	<b>Actuarial gains/(losses)</b>	
1,960	Employer contributions	1,926
656	Contributions by scheme participants	684
(6,305)	Benefits paid	(6,341)
<b>134,495</b>	<b>Closing balance at 31 March</b>	<b>119,977</b>

## Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest valuation of the scheme as at 31 March 2020. The principal assumptions used by the actuary have been:

2018/19			2019/20	
LGPS	Unfunded		LGPS	Unfunded
		<b>Longevity at 65 for current pensioners:</b>		
22.1		Men	21.2	
24.4		Women	23.6	
		<b>Longevity at 65 for future pensioners:</b>		
24.1		Men	22.1	
26.4		Women	25.0	
2.9%		Rate of increase in salaries	2.3%	
2.5%	2.5%	Rate of increase in pensions (CPI)	1.9%	1.9%
2.4%	2.4%	Rate for discounting scheme liabilities	2.3%	2.3%
50%		Take up converting annual pension to lump sum	50%	

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below is based on possible changes of the assumptions occurring and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme.

	Impact on defined benefit obligation £000
0.5% decrease in real discount rate	14,686
0.5% increase in the salary increase rate	1,642
0.5% increase in the pension increase rate (CPI)	12,905

## Impact on the Council's cash flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Staffordshire County Council has agreed a strategy with the scheme's actuary to achieve a funding strategy to recoup the past deficit over the next 20 years. Funding levels are monitored on an annual basis.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2021 is £3.731m. Expected contributions for the discretionary benefits scheme in the year to 31 March 2021 are £0.435m.

## 30. Contingent assets and liabilities

The Council does not have any contingent assets. Contingent liabilities as at 31 March 2020 are:

### (a) Municipal Mutual Insurance

In 1992/93 the Council's insurers, Municipal Mutual Insurance, ceased accepting business. The Scheme of Arrangement that was established to ensure an orderly wind up of the company determined that a levy could be made on the Council. The exact amount cannot be quantified, although the maximum is £760,314. £226,809 has been set aside as a provision for these costs, of which £177,579 has been paid to the administrator. This leaves a maximum contingent liability of £533,505.

### (b) VAT

The computation of the Council's 2019/20 position in respect of exempt category Value Added Tax has yet to be agreed with Revenue and Customs. If the 5% allowance has been exceeded, up to £150,000 in VAT may become payable.

### (c) Housing stock transfer warranty

Liabilities in relation to a 40 year warranty given by the Council in respect of the transfer of its housing stock to a registered social landlord in February 2000 could arise. The amount of the potential liability cannot be quantified but could amount to several million pounds.

### (d) Castle House liquidated damages

The Council is in communication with the developers of Castle House (Kier) regarding liquidated damages. If the liquidated damages are not settled there could be a potential liability of approximately £0.500m.

## 31. Financial instruments

### Categories and fair values of financial Instruments

The following categories of financial instruments are carried in the Balance Sheet at amortised cost (page 26); the table below also shows the fair values of these financial instruments:

2018/19		Measured at amortised cost	2019/20	
Carrying amount £000	Fair value £000		Carrying amount £000	Fair value £000
-	-	Investments (loans and receivables)	-	-
8,410	8,410	Debtors	12,850	12,850
77	77	Borrowings	77	77
7,355	7,355	Creditors	11,306	11,306
2,223	2,223	Cash/cash equivalents	4,704	4,704

### Income, expense, gains and losses

2018/19				2019/20		
Expenses & losses £000	Income & gains £000	Total £000		Expenses & losses £000	Income & gains £000	Total £000
-	-	-	Net loss on financial assets measured at amortised cost	-	-	-
5	-	5	Interest expense on financial assets measured at amortised cost	-	-	-
<b>5</b>	-	<b>5</b>	<b>Total expense in provision of services</b>	-	-	-
-	(83)	(83)	Interest income on financial assets measured at amortised cost	-	(89)	(89)
-	<b>(83)</b>	<b>(83)</b>	<b>Total income in provision of services</b>	-	<b>(89)</b>	<b>(89)</b>
<b>5</b>	<b>(83)</b>	<b>(78)</b>	<b>Net (gain)/loss for the year</b>	-	<b>(89)</b>	<b>(89)</b>

## 32. Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks

- Credit risk - the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and aims to minimise adverse effects on the resources available. Risk management is carried out under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

### Credit risk

Credit risks arise from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria.

The credit criteria in respect of financial assets held by the Council are as summarised below:

- Investment counterparties are assessed as to their suitability in relation to credit ratings supplied by the main ratings agencies, with the additional consideration of credit default swap data. A limit is placed on the amount which can in total be placed with individual counterparties and categories of counterparties;
- Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set where considered necessary. Credit references are obtained where contracts are entered into;
- The Council's policy regarding the write off of debtors is that all possible recovery procedures must have been exhausted, significant staffs resources are committed to the recovery of debtors by the Revenues Section. Indicators that are considered when write offs are recommended include insolvency or other legal proceedings being commenced and the death of the debtor.

The following significant inputs, assumptions and estimation techniques have been used in calculating the Council's approach to impairment loss allowances:

- Debtors relating to public sector organisations are not impaired;
- A provision matrix is utilised to estimate expected credit losses based on the 'age' of debtors. The matrix identifies the relationship between the age of the Council's debtors and the risk of non-payment based on historical losses;
- Any reasonable and supportable information relating to individual debtors in terms of past events, current conditions and forecasts of future economic conditions that is available without undue cost or effort.

The changes in the lifetime expected credit loss allowance for debtors measured at amortised costs are as follows:

2018/19 £000		2019/20 £000
104	<b>Balance at 1 April</b>	<b>275</b>
(553)	Amounts written off	(55)
724	Changes in models/risk parameters	22
<b>275</b>	<b>Balance at 31 March</b>	<b>242</b>

### Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has access to borrowing from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments. The maturity analysis of borrowing is as follows:

31/03/2019 £000		31/03/2020 £000
77	Less than one year	77
<b>77</b>		<b>77</b>

All trade creditors are due to be paid in less than one year.

### Interest rate risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments (no long term money market borrowing at present). Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would increase interest income.

Changes in interest receivable on variable rate investments will be posted to the surplus or deficit on the provision of services and affect the General Fund balance. Movements in the fair value of fixed rate investments that have a market price will be reflected in other comprehensive income and expenditure. At 31 March 2020 the Council had no investments.

### Price risk

The Council does not have any investment in equity shares, joint ventures or local industry. Consequently, it is not exposed to losses arising from movements in share prices.

### Foreign exchange risk

The Council has no financial assets or a liability denominated in foreign currencies and has no exposure to loss arising from movements in exchange rates.

## 33. Leases

### Council as lessee

#### Finance leases

As at 31 March 2020 the Council has no requirement to commit to making minimum payments under finance leases.

#### Operating leases

The Council has 3 items of equipment acquired by entering into operating leases (postage franking machines). The minimum lease payments as at 31 March 2020 are shown below:

31/03/2019 £000		31/03/2020 £000
1	Not later than one year	1
2	Later than one year, less than five years	3
-	Later than five years	-
<b>3</b>		<b>4</b>

The expenditure charged in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31/03/2019 £000		31/03/2020 £000
1	Minimum lease payments	1
<b>1</b>		<b>1</b>

## Council as lessor

### Finance leases

The Council has leased out 5 properties on a finance lease basis, with terms remaining ranging from 15 to 75 years.

The Council has a gross investment in these leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for properties when the leases come to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the properties acquired by the lessee and finance income that will be earned by the Council whilst the debtor remains outstanding. The gross investment is made up of:

31/03/2019 £000		31/03/2020 £000
	<b>Finance lease debtor (net present value of minimum lease payments):</b>	
20	Current	20
130	Non-current	145
431	Unearned finance income	374
<b>581</b>	<b>Gross investment in the lease</b>	<b>539</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

31/03/2019			31/03/2020	
Minimum lease payments £000	Finance lease liabilities £000		Minimum lease payments £000	Finance lease liabilities £000
51	31	Not later than one year	51	31
162	118	Later than one year, less than five years	155	104
369	283	Later than five years	333	240
<b>582</b>	<b>432</b>		<b>539</b>	<b>375</b>

### Operating leases

The Council leases out property and equipment under operating leases for the purposes of providing community services, such as sports facilities and community centres; to gain income from its investment properties; and for economic development purposes to provide accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

31/03/2019 £000		31/03/2020 £000
398	Not later than one year	427
383	Later than one year, less than five years	422
914	Later than five years	926
<b>1,695</b>		<b>1,775</b>

## Collection Fund

The Collection Fund reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of council tax and non-domestic rates.

2018/19 Council Tax £000	2018/19 Business Rates £000	2018/19 Total £000		2019/20 Council Tax £000	2019/20 Business Rates £000	2019/20 Total £000
(61,928)	-	(61,928)	<b>Income</b>	(64,832)	-	(64,832)
-	(33,725)	(33,725)	Council Tax Payers	-	(33,742)	(33,742)
-	(25)	(25)	Business Rates Payers	-	(287)	(287)
-	(5)	(5)	<b>Transfer of previous years deficit</b>	-	(64)	(64)
-	-	-	- Newcastle-under-Lyme Borough Council	-	-	-
-	(1)	(1)	- Staffordshire County Council	-	(7)	(7)
-	(31)	(31)	- Office of Police & Crime Commissioner	-	(358)	(358)
-	-	-	- Staffordshire Fire and Rescue Authority	-	-	-
-	-	-	- Central Government	-	-	-
<b>(61,928)</b>	<b>(33,787)</b>	<b>(95,715)</b>	<b>Total income</b>	<b>(64,832)</b>	<b>(34,458)</b>	<b>(99,290)</b>
			<b>Expenditure</b>			
			<b>Council Tax precepts</b>			
7,570	-	7,570	- Newcastle-under-Lyme Borough Council	7,867	-	7,867
44,562	-	44,562	- Staffordshire County Council	46,256	-	46,256
7,088	-	7,088	- Office of Police & Crime Commissioner	8,038	-	8,038
2,707	-	2,707	- Staffordshire Fire and Rescue Authority	2,811	-	2,811
			<b>Business Rates apportionment</b>			
-	12,493	12,493	- Newcastle-under-Lyme Borough Council	-	11,918	11,918
-	2,811	2,811	- Staffordshire County Council	-	10,130	10,130
-	312	312	- Staffordshire Fire and Rescue Authority	-	298	298
-	15,617	15,617	- Central Government	-	7,449	7,449
			<b>Other expenditure</b>			
-	140	140	Cost of Collection	-	139	139
-	22	22	Transitional Protection	-	22	22
501	140	641	Provision for Bad Debts	271	144	415
-	452	452	Provision for Appeals	-	(752)	(752)
			<b>Transfer of previous years surplus</b>			
5	-	5	- Newcastle-under-Lyme Borough Council	228	-	228
28	-	28	- Staffordshire County Council	1,452	-	1,452
4	-	4	- Office of Police & Crime Commissioner	231	-	231
2	-	2	- Staffordshire Fire and Rescue Authority	88	-	88
-	-	-	- Central Government	-	-	-
<b>62,467</b>	<b>31,987</b>	<b>94,454</b>	<b>Total expenditure</b>	<b>67,242</b>	<b>29,348</b>	<b>96,590</b>
<b>539</b>	<b>(1,800)</b>	<b>(1,261)</b>	<b>Deficit/(surplus) for the year</b>	<b>2,410</b>	<b>(5,110)</b>	<b>(2,700)</b>
<b>(1,999)</b>	<b>1,983</b>	<b>(16)</b>	<b>Balance brought forward at 1 April</b>	<b>(1,460)</b>	<b>183</b>	<b>(1,277)</b>
<b>539</b>	<b>(1,800)</b>	<b>(1,261)</b>	<b>Deficit/(surplus) for the year</b>	<b>2,410</b>	<b>(5,110)</b>	<b>(2,700)</b>
<b>(1,460)</b>	<b>183</b>	<b>(1,277)</b>	<b>Balance carried forward at 31 March</b>	<b>950</b>	<b>(4,927)</b>	<b>(3,977)</b>
			<b>Allocation of Collection Fund balance</b>			
(179)	73	(106)	- Newcastle-under-Lyme Borough Council	115	(1,971)	(1,856)
(1,055)	17	(1,038)	- Staffordshire County Council	676	(1,542)	(866)
(64)	2	(62)	- Staffordshire Fire and Rescue Authority	41	(49)	(8)
-	91	91	- Central Government	-	(1,365)	(1,365)
(162)	-	(162)	- Office of Police & Crime Commissioner	118	-	118
<b>(1,460)</b>	<b>183</b>	<b>(1,277)</b>		<b>950</b>	<b>(4,927)</b>	<b>(3,977)</b>

## Notes

### 1. Business Rates

The Council collects business rates in its area based on non-domestic rateable values (£90.815m at 31 March 2020 and £90.289m at 31 March 2019) multiplied by a uniform business rate. The rate is specified by the Government, in 2019/20 the rate was 50.4p, with a reduction for “small businesses” to 49.1p on application (49.3p in 2018/19 - “small business” reduction, 48.0p).

The administration of business rates aims to give Councils a greater incentive to grow businesses but also results in financial risks relating to volatility in appeals and non-collection of rates. Local authorities retain a proportion of the total collectable rates due, in the case of Newcastle-under-Lyme the local share is 40%. The remainder is distributed to preceptors, these are Central Government (see below re. share), Staffordshire County Council (see below re. share) and Stoke-on-Trent and Staffordshire Fire Authority (1% share).

The Council, as part of a Staffordshire and Stoke-on-Trent pool, participated in a 75% business rates retention pilot. This pilot increased the share of business rates retained by Staffordshire County Council by 25% (retained 34% in total) and reduced Central Government's share by 25% (retained 25% in total), this 25% was offset by the non-distribution of a number of grants to local authorities. The principal benefit of the pilot was that an extra 25% of business rates growth was retained by Local Government within Staffordshire.

The business rates shares payable for 2019/20 were estimated, via the NNDR1 return, before the start of the financial year as £7.449m to Central Government, £10.130m to Staffordshire County Council, £0.298m to Stoke-on-Trent and Staffordshire Fire and Rescue Authority and £11.918m to Newcastle-under-Lyme Borough Council.

The total of these sums (£29.795m) has been paid in 2019/20 and charged to the collection fund in year.

The actual business rates payable for 2019/20, as per the NNDR3 return, when taking into account the cost of collection, provisions for appeals and bad debts and transitional protection was calculated to be £34.189m.

The variance between the estimated business rates shared between Central Government, Staffordshire County Council, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council as per the NNDR1 return (£29.795m) and the actual business rates payable per the NNDR3 return (£34.189m) is £4.394m - a surplus to the collection fund for 2019/20 due to a return for the required appeals provision when compared to that anticipated on the NNDR1 return and a continued position of business rates growth (when taking account of Section 31 discounts and reliefs introduced by Central Government).

In addition to the business rates shares payable for 2019/20, the estimated 2018/19 deficit declared in January 2019 regarding business rates of £0.716m was paid to the collection fund from the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority.

The actual 2018/19 deficit was calculated to be £0.183m, therefore there was an overpayment of £0.533m in the collection of this deficit in 2019/20 which will need to be repaid, along with the estimated 2019/20 surplus declared in January 2020, to the Council, Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire and Rescue Authority during 2020/21.

Taking into account the overpayment regarding the 2018/19 deficit and the 2019/20 surplus, the business rates collection fund has a surplus of £4.927m as at 31 March 2020.

Please note that balances and transactions relating to 2018/19 are distributed as per the shares under the 50% business rates retention scheme, whilst those balances relating to 2019/20 are distributed as per the revised shares under the 75% business rates retention pilot.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Newcastle-under-Lyme Borough Council paid a tariff in 2019/20 to the value of £9.150m.

## 2. Council Tax

Council Tax Income is derived from charges raised, in eight valuation bands, according to the value of residential properties. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire and Rescue Authority and Newcastle-under-Lyme Borough Council for the forthcoming year and dividing this by the council tax base. The average Band D tax in 2019/20 of £1,734.66 compared with £1,667.06 in 2018/19. Multiplication of this amount by the proportions set out in the Council Tax Base table below gives the amount due for a property in each band.

The Council Tax base for 2019/20 was 37,117 (36,812 in 2018/19), this was derived as follows:

Band & value range	Number of dwellings	After discounts/exemptions	Ratio to band D	Band D equivalent
Band A-	-	48	5/9	27
Band A (Up to £40,000)	24,137	16,355	6/9	10,903
Band B (£40,001 - £52,000)	10,521	8,720	7/9	6,782
Band C (£52,001 - £ 68,000)	11,307	9,886	8/9	8,787
Band D (£68,001 - £88,000)	5,028	4,598	9/9	4,598
Band E (£88,001 - £120,000)	2,729	2,500	11/9	3,055
Band F (£120,001 - £160,000)	1,735	1,615	13/9	2,333
Band G (£160,001 - £320,000)	926	869	15/9	1,448
Band H (Over £320,000)	49	29	18/9	57
				<b>37,990</b>
Less non collection rate (2.3%)				(873)
<b>Borough Council Tax base</b>				<b>37,117</b>

In addition to the Council Tax payable for 2019/20, the estimated 2018/19 surplus declared in January 2019 regarding Council Tax of £1.999m was repaid to the preceptors (Staffordshire County Council, Office of the Police and Crime Commissioner Staffordshire, Stoke-on-Trent and Staffordshire Fire Authority and Newcastle-under-Lyme Borough Council).

The actual 2018/19 surplus was calculated to be £1.460m; therefore there was a balance of £0.539m on the payment of this surplus in 2019/20 which will need to be recouped during 2020/21 from the preceptors.

Taking into account the 2018/19 surplus to be recouped, the surplus declared to the preceptors for 2019/20 in January 2020 was £0.529m. The actual deficit balance of the Council Tax collection fund as at 31 March 2020 is £0.950m. This increased deficit, when compared to the declared amount, is primarily due to the increased contribution to the provision for bad debts.

# Audit Certificate

## Independent Auditors report to the Members of Newcastle under Lyme Borough Council

Report on the Audit of the Financial Statements

*Opinion to be provided by Grant Thornton upon completion of their audit of the Statement of Accounts*

## Glossary

To assist readers of the Statement of Accounts to understand its contents the following definitions are provided of terms used in the text.

### Accounting Policies

Accounting policies are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, selecting measurement bases for and presenting assets, liabilities, gains, losses, and changes to reserves.

### Accruals

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### Actuarial gains and losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses);
- The actuarial assumptions have changed.

### Amortisation

An annual charge to a revenue account to reduce the value of an asset to zero over a period of years.

### Assets register

A register of the Council's fixed assets which records their essential details, including their description and location, valuation, basis of valuation, life and service chargeable for their use.

### Balance Sheet

This shows a summary of the overall financial position of the Council at the end of the financial year.

### Business Improvement District (BID)

A BID is a defined area within which businesses are required to pay an additional business rates levy (a business rates supplement) in order to fund projects within the BID's boundaries. A completely separate body from the Council is responsible for operating the BID scheme. The BID is often funded primarily through the levy but can also draw on other public and private funding streams. The Council as billing authority collects the supplement and pays it over to the BID body, whose income it is, charging the body for the costs of collection.

### Capital expenditure

Expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain existing assets.

### Capital grants receipts in advance account

An account which holds the balances of capital grants received where conditions apply and have not been satisfied meaning that the grants are not yet available for use to finance expenditure.

### Capital grants unapplied account

A usable reserve holding the balances of capital grants received or due to the Council at the year-end where conditions do not apply to those grants or conditions have been satisfied meaning that the grant is available for use to finance expenditure.

## Capital receipts

Income received from the sale of capital assets which may be used to finance new capital expenditure.

## CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading accountancy bodies in the United Kingdom and specialises in public services.

## Collection Fund

A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and shares of business rates receipts.

## Community assets

Assets which the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## Contingent asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

## Contingent liability

A contingent liability is either: -

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control;
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## Creditors

Amounts owed by the Council for goods and services, where payments have not been made at the end of the financial year.

## Current service cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

## Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected, for example as a result of discontinuing a segment of the business and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

## **Debtors**

Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

## **Deferred liabilities**

These are liabilities which by arrangement are payable beyond the next year at some point in the future or are paid off by an annual sum over a period of time, specifically for this Council amounts outstanding in respect of finance leases.

## **Defined benefit pension scheme**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

## **Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, the passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

## **Discretionary benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996.

## **Expected rate of return on pension assets**

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

## **Experience gains and losses**

See actuarial gains and losses

## **Fair value**

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 takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market.

## **Fair value hierarchy**

A three level classification of techniques used in order to measure the fair value of financial assets and liabilities. The highest level (level 1) uses quoted prices in active markets for identical assets or liabilities that can be accessed at the measurement date, level 2 uses inputs other than quoted prices that are observable for the asset, either directly or indirectly and level 3 uses unobservable inputs for the asset or liability. Techniques employed should aim to maximise the use of observable inputs and minimise the use of unobservable inputs.

## **Financial instrument**

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments are: liabilities - trade payables, borrowings, financial guarantees; assets - bank deposits, trade receivables, investments; derivatives - forward investment deals.

## Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

## Financial year

The period of time to which the Statement of Accounts relates. The financial year of the Council runs from 1 April to 31 March.

## Fixed assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

The classes of fixed assets required to be included in the accounting statements are:

### Operational assets

- Other land and buildings (excluding Council Dwellings);
- Vehicles, plant, furniture and equipment;
- Infrastructure assets;
- Community assets.

### Non-operational assets

- Investment Properties;
- Assets Held for Sale.

Assets under construction are not shown separately. They are included in the balance relating to the category of operational asset where they will be included when completed.

## Formula grant

A formula grant is paid by central government to local authorities. Formula grant is largely funded by local business rates income (which is ultimately collected for central government). Revenue Support Grant and business rates are added together to make up the formula grant, which is then distributed to local authorities using a complex formula.

## General Fund revenue account

This account records the expenditure and income incurred by the Council in operating its services during the year. It does not record any capital expenditure or income but does include the costs associated with capital expenditure in the form of capital financing costs (mostly related to interest, capital charges for the use of assets by services and depreciation charges).

## Government grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

## Heritage assets

Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained primarily for their contribution to knowledge and culture.

## Historical cost

Actual cost of acquiring or constructing an asset.

## Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

## Infrastructure assets

Fixed assets that are not able to be taken away, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and sewers.

## Interest cost

For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

## Insurance value

The value placed upon an asset for insurance purposes.

## Intangible assets

Non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Specifically purchased software licenses are included in this category of asset.

## Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventories comprise the following categories:

- Goods or other assets purchased for resale;
- Consumable stores;
- Raw materials and components purchased for incorporation into products for sale;
- Products and services in intermediate stages of completion;
- Long-term contract balances;
- Finished goods.

## Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

## Investment properties

Interest in land and/or buildings:

- In respect of which construction work and development have been completed;
- Which is held for its investment potential, any rental income being negotiated at arm's length; and
- Which do not support the service or strategic objectives of the Council.

## Leasing

Method of financing the provision of capital assets which does not provide for the title to the asset to pass to the authority. In return for the use of the asset the Council pays rental charges over a specified period of time. There are two basic types of leasing arrangement:

- Finance leases which transfer the risks and rewards of ownership of an asset to the lessee (the Council) and such assets are included within the fixed assets in the Balance Sheet;
- Operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

## Liquid resources

Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or are traded in an active market.

## Long term debtors

Comprises amounts which are owed to the Council which are not investments and which are not expected to be realised within the next financial year. The main items included in this heading are outstanding loans from the Council to other bodies and outstanding amounts in respect of finance leases of Council properties to other bodies.

## Material Items

An item is material if its omission, non-disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

## National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally. The amount collected is distributed via the business rates retention scheme to Central Government, Staffordshire County Council and Stoke-on-Trent and Staffordshire Fire Authority. The remainder is retained by the Borough Council but is subject to a tariff payment and pool levy.

## Non-distributed costs

Overheads from which no user now benefits and which are not apportioned to services.

### **Past service cost**

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **Precept**

Demands made upon the Collection Fund by other authorities (Staffordshire County Council, Police and Fire Authorities and Parish Councils) for the services that they provide.

### **Prior period adjustments**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring conditions or adjustments of accounting estimates made in prior years.

### **Provisions**

Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

### **Quoted securities**

Assets such as shares that are traded on financial exchanges.

### **Realisable value**

Open market value of the asset in its existing use (or open market value in the case of non- operational assets), less the expenses to be incurred in realising the asset.

### **Related parties**

Two or more parties are related when at any time during the financial period:

- One party has direct or indirect control over the other party, or
- The parties are subject to common control from the same source, or
- One party has influence over the financial and operational policies of the other party to the extent that the other party might be inhibited from pursuing at all times its own separate interests, or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

For individuals identified as related parties, the following are also presumed to be related parties:

- Members of the close family or the same household, and
- Partnerships, companies, trusts or other entities in which the individual, or a member of their close family or same household, has a controlling interest.

### **Related party Transaction**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

### **Reserves**

Reserves fall into two different categories:

- Usable Reserves representing sums set aside to meet future expenditure for specific purposes and which the Council is able to utilise to provide services.
- Unusable Reserves which the Council is not able to utilise to provide services. This category of reserves includes reserves which hold unrealisable gains and losses, such as the Revaluation Reserve and reserves which are adjustment accounts which deal with situations where income and expenditure are recognised statutorily against the General Fund balance on a different basis from that expected by accounting standards, for example the capital adjustment account.

### Retirement benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

### Revenue expenditure

Expenditure on day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

### Revenue expenditure funded from capital under statute (REFCUS)

Expenditure which does not result in the creation of a fixed asset and which is classified as capital for funding purposes but is chargeable to the Income and Expenditure Account (I&E Account) as revenue expenditure. Any grants or contributions towards such expenditure are also chargeable to the I&E Account. An appropriation is made to the I&E Account from the capital adjustment account of the amount of expenditure financed from capital resources. Such expenditure was formerly referred to as deferred charges.

### Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure.

### Scheme liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities are measured using the projected unit method.

Reflect the benefits that the employer is committed to provide for service up to the valuation date.

### Settlement

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits, the purchase of an irrevocable annuity contract sufficient to cover vested benefits and the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

### Unitised securities

A fund that is sold in units specified by a fund manager, rather than shares of fund managed assets.

### Unquoted securities

Assets such as shares that are not traded on financial exchanges.

### Useful life

Period over which the local authority will derive benefits from the use of a fixed asset.

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## NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

### EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee  
27 July 2020

**Report Title: Treasury Management Annual Report 2019/20**

**Submitted by: Head of Finance**

**Portfolios: Finance and Efficiency**

**Ward(s) affected: All**

#### **Purpose of the Report**

To receive the Treasury Management Annual Report for 2019/20 and to review the Treasury Management activity for this period.

#### **Recommendation**

**That the Treasury Management Report for 2019/20 be received and be reported to Full Council on 23 September 2020.**

#### **Reasons**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. Full Council resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports. Following submission to the Audit and Standards Committee the Treasury Management Annual Report will be reported to Full Council on 23 September 2020.

#### **1. Background**

- 1.1 The CIPFA Code of Practice on Treasury Management recommends that Members should be informed on Treasury Management activities at least twice a year. It was resolved that the Audit and Standards Committee would monitor and oversee the delivery of the Treasury Management Strategy through the receipt of half yearly and year end Treasury Management Reports.
- 1.2 This report therefore ensures that this Council is embracing Best Practice in accordance with CIPFA's recommendations in the CIPFA Code of Practice.
- 1.3 Treasury Management operations are carried out in accordance with policies laid down in the currently approved Treasury Management Policy Statement, backed up by approved Treasury Management Practices and Schedules thereto, and the Annual Treasury Management Strategy Report for 2019/20 approved by Council on 20 February 2019.
- 1.4 The Council is provided with Treasury Management Advisory services for the period 1 April 2020 to 31 March 2021 by Arlingclose Ltd.

2. **Issues**

2.1 The Treasury Management Annual Report for 2019/20 is attached at Appendix 1. The economic background and economic forecast included in the report has been provided by the Council's Treasury Management Advisors, Arlingclose Ltd.

3. **Proposal**

3.1 That the Treasury Management Report for 2019/20 be received and be reported to Full Council on 23 September 2020.

4. **Reasons for Proposed Solution**

4.1 In line with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management.

5. **Options Considered**

5.1 There are no specific options to consider.

6. **Legal and Statutory Implications**

6.1 See Background for details.

7. **Equality Impact Assessment**

7.1 Not applicable

8. **Financial and Resource Implications**

8.1 There are no specific financial implications arising from the report.

9. **Major Risks**

9.1 Treasury management is a major area of risk for the Council in that large amounts of money are dealt with on a daily basis and there are a number of limits and indicators, which must be complied with.

9.2 The overriding consideration in determining where to place the Council's surplus funds is to safeguard the Council's capital. Within this constraint the aim is to maximise the return on capital.

9.3 Operational procedures, coupled with monitoring arrangements, are in place to minimise the risk of departures from the approved strategy.

10. **Sustainability and Climate Change Implications**

10.1 Not applicable

11. **Key Decision Information**

11.1 Not applicable.

12. **Earlier Cabinet/Committee Resolutions**

12.1 Not applicable.

13. **List of Appendices**

13.1 Appendix 1, Treasury Management Annual Report 2019/20.

14. **Background Papers**

14.1 CIPFA Treasury Management Code of Practice,

14.2 Council's Treasury Management Policy Statement,

14.3 Council's Treasury Management Strategy,

14.4 Local Government Act 2003,

14.5 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003,

14.6 Ministry of Housing, Communities and Local Government's revised Guidance on Local Government and Investments and Statutory Guidance on Minimum Revenue Provision

14.7 Arlingclose Ltd. Treasury Management Outturn Report template

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## **TREASURY MANAGEMENT ANNUAL REPORT 2019/20**

### **1. INTRODUCTION AND BACKGROUND**

This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for the financial year 2019/20. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The CIPFA Code of Practice on Treasury Management was adopted by this Council on 24 February 2010; this was updated in November 2011 and updated further in December 2017.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual treasury management strategy report (including the annual investment strategy) for the year ahead and an annual review report of the previous year.
4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of the treasury management strategy to a specific named body which in this Council is the Finance, Assets and Performance Scrutiny Committee.
6. Delegation by the Council of the role of scrutiny of treasury management performance to a specific named body which in this Council is the Audit and Standards Committee, a midyear and year-end review report is received by this Committee.

Treasury management in this context is defined as:

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

The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2019/20.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

This Council has complied with the requirement under the Code to give prior scrutiny to the annual review report by reporting this to the Audit and Standards Committee prior to it being reported to Full Council.

### **2. THIS ANNUAL TREASURY REPORT COVERS**

- The Council's treasury position as at 31 March 2020;
- The strategy for 2019/20;
- The economy in 2019/20;
- Investment rates in 2019/20;
- Compliance with treasury limits and Prudential Indicators;
- Investment outturn for 2019/20;

- Involvement of Elected Members;
- Other issues.

### 3. TREASURY POSITION AS AT 31 MARCH 2020

The Council's investment position at the beginning and the end of the year was as follows:

	At 31/03/20	Average Return	Average Life (Days)	At 31/03/19	Average Return	Average Life (Days)
Total Debt	£0m	0.00%	0	£0m	0.00%	0
Total Investments	£0m	0.51%	4	£0m	0.48%	3

It should be noted that the above table is only a snapshot of the total Investments as at 31 March 2020. Large fluctuations in cash inflows and outflows that occur throughout the month can have an impact on the figure reported.

### 4. THE STRATEGY FOR 2019/20

The strategy agreed by Council on 20 February 2019 was that:

- The Council may be required to borrow during 2019/20 if capital receipts did not materialise in order to fund the capital programme;
- All borrowing would be kept absolutely within the Authorised Limit of £15m and would not normally exceed the Operational Boundary of £7.5m (although it could for short periods of time be permitted to rise to a figure between £7.5m and £15m due to variations in cash flow);
- Temporary surpluses which might arise would be invested, either in short term deposits with the Council's various deposit accounts or in money market investments (cash deposits) if the size warranted this and for an appropriate period in order that these sums would be available for use when required;
- The proportions of loans and investments to be at fixed or variable rates were: fixed rate loans to be between 0% and 100% of the total and variable rate to be between 0% and 100% of the total, thus enabling maximum flexibility to take advantage of interest rate trends;
- Long term investments to be permitted as follows: maturing beyond 31/03/19 £5m, maturing beyond 31/03/20 £5m, maturing beyond 31/03/21, £5m;
- The overriding consideration is safeguarding the Council's capital. At all times the risk to the Council will be minimised. Within these constraints, the aim will be to maximise the return on investments; and,
- Forward commitment of funds for investment is permitted in respect of in-house investments, in instances where market conditions warrant it.

### 5. THE ECONOMY AND INTEREST RATES - narrative supplied by the Council's Treasury Management Advisors – Arlingclose Limited

The UK's exit from the European Union and future trading arrangements, had remained one of the major influences on the UK economy and sentiment during 2019/20. The 29 March 2019 Brexit deadline was extended to 12 April, then to 31 October and finally to 31 January 2020. Politics played a major role in financial markets over the period as the UK's tenuous progress negotiating its exit from the European

Union together with its future trading arrangements drove volatility, particularly in foreign exchange markets. The outcome of December's General Election removed a lot of the uncertainty and looked set to provide a 'bounce' to confidence and activity.

The headline rate of UK Consumer Price Inflation fell to 1.7% year on year in February, below the Bank of England's target of 2%. Labour market data remained positive. The International Labour Organisation unemployment rate was 3.9% in the three months to January 2020 while the employment rate hit a record high of 76.5%. The average annual growth rate for pay excluding bonuses was 3.1% in January 2020 and the same when bonuses were included, providing some evidence that a shortage of labour had been supporting wages.

GDP growth in Q4 2019 was reported as flat by the Office for National Statistics and service sector growth slowed and production and construction activity contracted on the back of what at the time were concerns over the impact of global trade tensions on economic activity. The annual rate of GDP growth remained below-trend at 1.1%.

Then coronavirus swiftly changed everything. COVID-19, which had first appeared in China in December 2019, started spreading across the globe causing plummeting sentiment and falls in financial markets not seen since the Global Financial Crisis as part of a flight to quality into sovereign debt and other perceived 'safe' assets.

In response to the spread of the virus and sharp increase in those infected, the government enforced lockdowns, central banks and governments around the world cut interest rates and introduced massive stimulus packages in an attempt to reduce some of the negative economic impact to domestic and global growth.

The Bank of England, which had held policy rates steady at 0.75% through most of 2019/20, moved in March to cut rates to 0.25% from 0.75% and then swiftly thereafter brought them down further to the record low of 0.10%. In conjunction with these cuts, the UK government introduced a number of measures to help businesses and households impacted by a series of ever-tightening social restrictions, culminating in pretty much the entire lockdown of the UK.

The US economy grew at an annualised rate of 2.1% in Q4 2019. After escalating trade wars and a protracted standoff, the signing of Phase 1 of the trade agreement between the US and China in January was initially positive for both economies, but COVID-19 severely impacted sentiment and production in both countries. The US government also unleashed a raft of COVID-19 related measures and support for its economy including a \$2 trillion fiscal stimulus package. With interest rates already on (or below) the floor, the European Central Bank held its base rate at 0% and deposit rate at -0.5%.

## **6. INVESTMENT RATES IN 2019/20 – narrative supplied by the Council's Treasury Management Advisors – Arlingclose Limited**

Financial markets sold off sharply as the impact from the coronavirus worsened. After starting positively in 2020, the FTSE 100 fell over 30% at its worst point with stock markets in other countries seeing similar huge falls. In March sterling touched its lowest level against the dollar since 1985. The measures implemented by central banks and governments helped restore some confidence and financial markets have rebounded in recent weeks but remain extremely volatile. The flight to quality caused gilts yields to fall substantially. The 5-year benchmark falling from 0.75% in April 2019 to 0.26% on 31 March 2020. The 10-year benchmark yield fell from 1% to 0.4%, the 20-year benchmark yield from 1.47% to 0.76% over the same period. 1-month, 3-month and 12-month bid rates averaged 0.61%, 0.72% and 0.88% respectively over the period.

## **7. COMPLIANCE WITH TREASURY LIMITS**

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Annex 1.

## **8. INVESTMENT OUTTURN FOR 2019/20**

### **Internally Managed Investments**

The Council manages its investments in-house and during 2019/20 invested with institutions in compliance with the credit worthiness service of the Council's treasury management advisors, Arlingclose Limited.

The Council invested for a range of periods from overnight to up to six and a half months during 2019/20, dependent on the Council's cash flows, its interest rate view and the interest rates on offer. Eighteen of the twenty-nine investments made in 2019/20 were for a period of two weeks or less. Twenty-four of the twenty-nine investments were deposited in the Council's business reserve account due to the available rate and liquidity. The remaining five investments were made with other Local Authorities.

In addition funds that were held in the general fund account that the Council has with Lloyds Bank also earn interest on a daily basis.

### **Investment Outturn for 2019/20**

During 2019/20 an average rate of return of 0.51% was achieved on an average individual investment of £3.475m. This compared with the target of 0.40% included in the departmental service plan.

## **9. INVOLVEMENT OF ELECTED MEMBERS**

Elected members have been involved in the treasury management process during 2019/20 including:

- Scrutiny of the treasury management strategy by the Finance, Assets & Performance Scrutiny Committee prior to being submitted for approval by the Full Council.
- Scrutiny of treasury management performance by the Audit and Standards Committee through the receipt of a half yearly treasury management report.
- A quarterly budget monitoring and performance report is reported to Cabinet, this contains details of Treasury Management activity undertaken during the quarter.

## ANNEX 1: PRUDENTIAL INDICATORS

Position/Prudential Indicator		2018/19 Actual	2019/20 Indicator	2019/20 Actual
1	Capital Expenditure	£2.980m	£6.948m	£2.923m
2	Capital Financing Requirement at 31 March *	£4.405m	£4.405m	£4.364m
3	Treasury Position at 31 March:			
	Borrowing	£0	N/A	£0
	Other long term liabilities	£0	N/A	£0
	Total Debt	£0	N/A	£0
	Investments	£0	N/A	£0
	Net Borrowing	£0	N/A	£0
4	Authorised Limit (against maximum position)	£0	£15.0m	£0
5	Operational Boundary (against maximum position)	£0	£7.5m	£0
6	Ratio of Financing Costs to Net Revenue Stream	(0.59%)	0.09%	(0.37%)
7	Upper Limits on Variable Interest Rates (against maximum position)			
	Loans	0%	100%	0%
	Investments	0%	100%	0%
8	Actual External Debt	£0	N/A	£0
9	Principal Funds Invested for Periods Longer than 365 days (against maximum position)	£0	£5.0m	£0

## **GLOSSARY**

### **CFR – Capital Financing Requirement**

The Capital Financing Requirement is the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources.

### **CIPFA – The Chartered Institute of Public Finance and Accountancy**

The Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations.

### **CPI – Consumer Price Index**

A measure that examines the weighted average of prices of a basket of consumer goods and services. The Consumer Price Index is calculated by taking price changes for each item in the predetermined basket of goods/services and averaging them; the goods are weighted according to their importance. Changes in CPI are used to assess price changes associated with the cost of living.

### **GDP – Gross Domestic Product**

Gross Domestic Product is the market value of all officially recognised final goods and services produced within a country in a given period of time.



**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S  
REPORT TO**

**Audit & Standards Committee**  
**27 July 2020**

**Report Title:** **ANNUAL GOVERNANCE STATEMENT 2019/20**

**Submitted by:** **Executive Director – Resources and Support Services**

**Portfolios:** **Finance and Efficiency**

**Ward(s) affected:** **All**

<p><b><u>Purpose of the Report</u></b></p> <p>To recommend that the Annual Governance Statement for 2019/20 be approved for inclusion in the financial statements.</p>
<p><b><u>Recommendation</u></b></p> <p><b>That</b></p> <p><b>1. That the Committee approve the Annual Governance Statement for 2019/20.</b></p>
<p><b><u>Reasons</u></b></p> <p>To seek members approval of the Annual Governance Statement for 2019/20 based upon their satisfaction that it is based upon relevant and reliable evidence.</p>

**1. Background**

- 1.1 Members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.
- 1.2 The Council has approved and adopted a Code of Corporate Governance. A copy of the Code is on our website.
- 1.3 Under the Accounts and Audit Regulations 2015 the Council is required to publish an Annual Governance Statement (AGS) with the financial statements and emphasise the importance of embedding internal control, including the process of risk management throughout the Council. In response the Council produced an AGS for 2019/20 covering corporate governance, financial and other key control issues (the statement is provided as Appendix A).
- 1.4 The AGS is published with the financial statements. In considering the approval of the AGS Members should satisfy themselves that the statement is based upon relevant and reliable evidence. Details of the evidence relied upon when collating the AGS can be made available by contacting the Executive Director – Resources and Support Services.
- 1.5 The AGS includes the following headings:
  - Scope of responsibility,
  - Delivering good governance in Local Government: framework,
  - The governance framework,
  - Review of effectiveness and,
  - Significant governance issues

## 2. **Issues**

- 2.1 In preparing the AGS your officers have considered the Chartered Institute of Public Finance (CIPFA) 'Delivering Good Governance Framework' guidance document.
- 2.2 The AGS has been produced combining findings from Assurance statements from the Chief Executive and Executive Directors, informed by Heads of Service and Business Managers, the work of Internal Audit and various corporate working parties and comments from external auditors and other review agencies.
- 2.3 Section 5 of the AGS identifies those areas, following the review of internal controls for the financial year 2019/20 that needs addressing. Action plans where not already in place will be drawn up by your officers to address the issues highlighted.
- 2.4 Not to complete an AGS would be in breach of the legislation already outlined in the background. Completion of the statement is best practice and demonstrates the transparency of the Council's Governance arrangements for 2019/20.

## 3. **Proposal**

- 3.1 That the Committee approve the Annual Governance Statement for 2019/20.

## 4. **Legal and Statutory Implications**

- 4.1 The Council must comply with the Accounts and Audit Regulations 2015, in particular the requirement to publish an AGS with the financial statements.

## 5. **Equality Impact Assessment**

- 5.1 There are no differential equality issues arising directly from this report.

## 6. **Financial and Resource Implications**

- 6.1 There are no specific financial implications arising from the AGS, resource requirement linked to action plans will be brought to members as separate projects if required.

## 7. **Major Risks**

- 7.1 If internal controls are not managed effectively and within the law, public resources will not be safeguarded from waste or property accounted for.
- 7.2 If internal controls are not reviewed regularly, continuous improvement may not be exercised.

## 8. **List of Appendices**

- 8.1 Appendix A – Annual Governance Statement 2019/20.

## 9. **Background Papers**

- Assurance statements,
- CIPFA guidance – Delivering good governance in Local Government

## Annual Governance Statement 2019/20

### 1.0 Scope of responsibility

- 1.1 Newcastle-under-Lyme Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Newcastle-under-Lyme Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Newcastle-under-Lyme Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.
- 1.3 Newcastle-under-Lyme Borough Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the Code is on the Council's website at [Code of Corporate Governance](#) or can be obtained from the Executive Director (Resources and Support Services). This statement explains how Newcastle-under-Lyme Borough Council complies with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2015 in relation to the publication of a Statement on Internal Control.

### 2.0 Delivering good governance in Local Government: framework

#### 2.1 *The purpose of the governance framework*

The governance framework comprises the systems, processes, culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing and embedded process designed to identify and prioritise the risks to the achievement of Newcastle-under-Lyme Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Newcastle-under-Lyme Borough Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

### 3.0 The governance framework

- 3.1 The Council operates a number of systems, policies and procedures that constitute or contribute to the operation of the internal control environment and support the principles set out in the Code of Corporate Governance as detailed in the tables below:

<b>Core Principle A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>
• <b>Behaving with integrity:</b>	

<b>Core Principle A</b>	<b>Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.</b>
<ul style="list-style-type: none"> <li>• The Council has in place Codes of Conduct for both Members and Officers which set out requirements that support the need to behave with integrity.</li> <li>• The Council has a set of values which are underpinned by a set of expected behaviours.</li> <li>• All new members and officers are made aware of the Code of Conduct when they join the council.</li> </ul> <ul style="list-style-type: none"> <li>• <b>Demonstrating strong commitment to ethical values:</b> <ul style="list-style-type: none"> <li>• The council has a framework of policies that incorporate Anti-Fraud &amp; Corruption, Anti- Money Laundering and a Whistleblowing Policy all of which are designed to in the first instance discourage inappropriate behaviour and then secondly encourage both Members and Officers to voice any concerns they have and report any instances found.</li> <li>• Members are required to renew their declaration of interests annually and also declare any relevant interests at meetings. There is also a register of gifts and hospitality</li> <li>• Employees are required to notify their Executive Director or Head of Service about any potential conflict of interest.</li> <li>• A register of gifts and hospitality is maintained by the Executive Management Secretarial Team, an annual reminder is issued to all Employees.</li> </ul> </li> <li>• <b>Respecting the rule of law;</b> <ul style="list-style-type: none"> <li>• The Council has in place a Monitoring Officer who works with Members and Officers to ensure that the law is adhered to.</li> <li>• There is a protocol in place for the Monitoring Officer, which sets out their role and supports them in fulfilling their responsibilities.</li> <li>• Legal advice is given in reports for all decisions to be taken by Members and officers are also required to take advice where required.</li> </ul> </li> </ul>	

<b>Core Principle B</b>	<b>Ensuring openness and comprehensive stakeholder engagement</b>
<ul style="list-style-type: none"> <li>• <b>Openness:</b> <ul style="list-style-type: none"> <li>• All meetings of the Authority are held in public unless the Part II requirements of the local authorities (Executive Arrangements) (Access to Information) Regulations 2000, are met in terms of confidentiality.</li> <li>• Copies of all minutes and agendas are available on the Councils website. All reports contain details of options considered and the advice provided by officers regarding legal and financial implications. The minutes include the reasons behind the decisions made.</li> <li>• The Council has a Freedom of Information Scheme in place and seeks to publish information openly on its website wherever possible and practicable to do so.</li> </ul> </li> <li>• <b>Engaging comprehensively with institutional stakeholders:</b> <ul style="list-style-type: none"> <li>• The Council has in place a Communications Strategy which sets out how we will communicate with our citizens, service users and stakeholders.</li> </ul> </li> <li>• <b>Engaging with individual citizens and service users effectively:</b> <ul style="list-style-type: none"> <li>• The Council has a consultation framework and toolkit in place and provides details of all on-going consultation exercises/surveys on its website.</li> <li>• Whenever we seek the views from the community we provide feedback on the information received and let our citizens know how it has or will be used to help shape Council decisions.</li> </ul> </li> </ul>	

<b>Core Principle C</b>	<b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b>
<ul style="list-style-type: none"> <li>• <b>Defining outcomes:</b> <ul style="list-style-type: none"> <li>• The Council has a clear vision of what it wants to achieve, which is set out in its Council Plan. The vision and priorities have been informed by an analysis of needs for the Borough and also via consultation with key stakeholders and the public.</li> <li>• Each service has a Service Plan that outlines outcomes to be achieved and how they link to the Council Plan.</li> </ul> </li> <li>• <b>Sustainable economic, social and environmental benefits:</b></li> </ul>	

<b>Core Principle C</b>	<b>Defining outcomes in terms of sustainable economic, social and environmental benefits</b>
<ul style="list-style-type: none"> <li>• A Sustainable Community Strategy is in place which aims to create an environment where local people can articulate their priorities, needs and aspirations.</li> <li>• In addition the capital strategy sets out the principles and objectives which the Council has identified for its capital investment and how its capital plans link to other strategies and areas of activity of the Council and its partners, this now extends to a 10 year period.</li> <li>• The Councils day to day services support the delivery of the Council Plan, performance in delivering the objectives are monitored by the Executive Management Team (officers), the Cabinet and Scrutiny Committees (Members).</li> </ul>	

<b>Core Principle D</b>	<b>Determining and planning the actions necessary to optimise the achievement of the intended outcomes</b>
<ul style="list-style-type: none"> <li>• <b>Determining Interventions:</b> <ul style="list-style-type: none"> <li>• The principles of decision making are detailed in the Councils constitution.</li> <li>• A calendar of meetings is approved and agreed by annual Council in May each year.</li> </ul> </li> <li>• <b>Planning Interventions:</b> <ul style="list-style-type: none"> <li>• The Councils Forward Plan details all the reports relating to key decisions and the timescales within which they will be presented.</li> <li>• Service Plans are produced annually which set out the planned activities for each service area for that year.</li> </ul> </li> <li>• <b>Optimising the achievement of intended outcomes:</b> <ul style="list-style-type: none"> <li>• The Medium Term Financial Strategy considers any changes that are required to be made to the base budget to ensure that service priorities are affordable and achievable.</li> <li>• The budget process takes account of the full cost of service delivery over the medium and longer terms.</li> <li>• The budget setting process ensures that a robust and balanced budget is approved.</li> <li>• The budget setting process allows for investment which is intended to bring future efficiencies.</li> </ul> </li> </ul>	

<b>Core Principle E</b>	<b>Developing the Council's capacity, including the capability of its leaders and the individuals within it. This includes ensuring effective relationships and a clear understanding of the roles and responsibilities of Members and Officers.</b>
<ul style="list-style-type: none"> <li>• <b>Developing the councils capacity:</b> <ul style="list-style-type: none"> <li>• The Council regularly reviews its activities to ensure continuous improvement of service delivery.</li> <li>• The Council works closely with its partners to ensure the delivery of agreed outcomes to the community.</li> </ul> </li> <li>• <b>Developing the capability of the entity's leadership and other individuals:</b> <ul style="list-style-type: none"> <li>• The roles of Members, Committees, Officers and Statutory Officers are set out in the Councils Constitution, which is available on the Councils website.</li> <li>• The Council has a scheme of delegation in place which forms part of the Constitution, this sets out the types of decision made by the council and who can make these.</li> <li>• The Constitution also contains Financial Regulations and Contract Procedures which provide a framework for Officers to follow when running their services and making decisions.</li> <li>• An induction programme is in place to provide training and support for all new members and officers.</li> <li>• All officers have an annual appraisal to review performance and identify any training and development needs.</li> <li>• A member development programme is in place in respect of members to identify all their training needs.</li> <li>• The Council is committed to supporting the health and well-being of the workforce through appropriate Human Resource policies, working practices and access to an occupational health service.</li> </ul> </li> </ul>	

<b>Core Principle F</b>	<b>Managing risks, performance and data through robust internal control and strong public financial management.</b>
<ul style="list-style-type: none"> <li>• <b>Managing Risk:</b> <ul style="list-style-type: none"> <li>• The Council has a risk management policy and strategy in place.</li> <li>• A strategic risk register is maintained by the Executive Management Team, progress is monitored on a quarterly basis by the Audit and Standards Committee.</li> <li>• Operational risks are identified and managed by Heads of Service; these are reviewed and monitored quarterly.</li> </ul> </li> <li>• <b>Managing Performance:</b> <ul style="list-style-type: none"> <li>• Heads of Service and Business Managers are responsible operationally for the performance in delivering day to day services. This in turn is monitored by Executive Directors and the Executive Management Team.</li> <li>• The performance of delivering the Councils priorities is monitored by Cabinet.</li> <li>• There are Scrutiny Committees in place to monitor the performance of the Council and hold the Cabinet to account for the decisions that it makes.</li> </ul> </li> <li>• <b>Robust internal control:</b> <ul style="list-style-type: none"> <li>• The internal control framework comprises a range of policies and procedures to ensure sound management of the Councils operation and delivery of services.</li> <li>• Internal Audit undertakes reviews of systems that comprise the internal control and governance framework, it provides assurance and where necessary makes recommendations for improvement.</li> <li>• The Audit and Standards Committee receives reports with regards to the internal control framework. In addition quarterly reports are presented in respect of the progress and completion of the audit plan and the implementation of outstanding recommendations.</li> </ul> </li> <li>• <b>Managing Data:</b> <ul style="list-style-type: none"> <li>• The Council has a suite of Information Security Policies to ensure and maintain the integrity of the data that it holds.</li> <li>• In addition the Council has an Information Governance Officer in place to ensure that personal data is held securely and managed appropriately.</li> </ul> </li> <li>• <b>Strong public financial management:</b> <ul style="list-style-type: none"> <li>• The Executive Director (Resources &amp; Support Services) as the Councils Section 151 Officer is appropriately qualified and complies with the CIPFA statement on the Role of the Chief Finance Officer.</li> <li>• The Executive Director (Resources &amp; Support Services) prepares and advises the Council on its Medium Term Financial Strategy and the Budget.</li> <li>• Regular budget monitoring reports are provided to Members and Officers.</li> <li>• Financial Regulations and Contract procedures provide a framework for the day to day management of the Councils financial transactions.</li> </ul> </li> </ul>	

<b>Core Principle G</b>	<b>Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.</b>
<ul style="list-style-type: none"> <li>• <b>Implementing good practice in transparency and reporting:</b> <ul style="list-style-type: none"> <li>• The following information is reported annually to Members and is available on the Councils website; <ul style="list-style-type: none"> <li>• Performance in delivering the Council's priorities;</li> <li>• Statement of Accounts;</li> <li>• Annual Governance Statement;</li> <li>• Annual Internal Audit Report</li> <li>• Annual External Audit Letter</li> </ul> </li> <li>• In addition to the above, the Council has a transparency page on the website which provides public access to information in accordance with the Local Government Transparency Code.</li> </ul> </li> <li>• <b>Assurance and effective accountability</b> <ul style="list-style-type: none"> <li>• Internal Audit provides assurance throughout the year on the key systems of internal control.</li> <li>• The External Auditor provides assurance on the Councils financial statement.</li> <li>• The Councils governance arrangements are reviewed on an annual basis.</li> </ul> </li> </ul>	

<b>Core Principle G</b>	<b>Implementing good practices in transparency, reporting and assurance (including audit) to deliver effective accountability.</b>
<ul style="list-style-type: none"> <li>• There is a Corporate Complaints, Compliments and Comments Policy in place.</li> <li>• Independent reviews of council services are undertaken from time to time, any feedback in respect of such reviews are noted and acted upon accordingly.</li> <li>• The Statutory Officers Group and Corporate Assurance Group review all corporate complaints, compliments and comments.</li> </ul>	

3.2 A key element of the Councils governance arrangements concerns safeguarding. Newcastle-under-Lyme Borough Council has both a moral and legal obligation to ensure a duty of care for children and vulnerable adults across all its services. As a Council we are committed to ensuring that all children and vulnerable adults are protected and kept safe from harm whilst engaged in services organised and provided by us. We ensure this by;

- Having a Safeguarding Policy in place,
- Mandatory training in place for all Members and Officers,
- Carrying out the appropriate level of Disclosure and Barring Service (DBS) checks for employees, and
- Working closely with the Staffordshire Safeguarding Children’s Board & Staffordshire and Stoke-on-Trent Adult Safeguarding Partnership.

#### 4.0 Review of effectiveness

4.1 Newcastle-under-Lyme Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Executive Directors within the authority who have responsibility for the development and maintenance of the governance and internal control environment and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Code of Corporate Governance adopted by Newcastle-under-Lyme Borough Council demonstrates the Council is committed to ensuring that the principles of good governance flow from a shared ethos or culture, as well as from sound management systems, structures, and processes that are transparent to all its stakeholders. By making explicit the high standards of self-governance the Council aims to provide a lead to potential partners, to the public, private or voluntary sectors and to all citizens.

4.3 The Audit and Standards Committee monitors effectively the system of internal control, this has been demonstrated through the completion of a self-assessment against CIPFA’s checklist on ‘Measuring the effectiveness of the Audit Committee’. The Committee receives regular reports on both the Audit and Risk issues and has demonstrated effective challenge to senior officers in instances of non-compliance; it can therefore be relied upon when considering the Annual Governance Statement for 2019/20.

4.4 The Scrutiny function continues to ensure effective monitoring and challenge. There are Scrutiny Committees that reflect each of the Council’s Corporate Priorities. The terms of reference for each of these committees ensure that performance is effectively monitored and challenged

4.5 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of internal control. A risk model is used to formulate a twelve month plan which is approved by the Audit and Standards Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Executive Director. The report includes recommendations for improvements that are included within an action plan and require agreement, or challenge, by Directors. The process includes follow ups on a monthly basis, the results of which are reported quarterly to the Audit and Standards Committee in terms of fundamental recommendations and the level of assurance that can be given for that directorate based on the implementation of their recommendations.

Internal Audit has continued to receive positive feedback from External Audit with regards to the coverage of their work and high professional standards.

- 4.6 Internal Audit can provide a level of assurance that the Council's systems of internal control are operating adequately, from their work in 2019/20. Whilst the Internal Audit Service has identified some material deficiencies in controls, the service is satisfied that based upon assurances from Management, action is now being taken to address the issues raised.
- 4.7 An assessment of the role of the Chief Finance Officer (CFO) has been completed in accordance with the 'CIPFA Statement on the role of the Chief Financial Officer in public service organisations'. The statement produced by CIPFA seeks to strengthen governance and financial management throughout the public sector, in addition it sets out the core responsibilities, personal skills and professional standards that are crucial to the role. It requires that the CFO is professionally qualified, reports directly to the Chief Executive and is a member of the Leadership team. Having undertaken the assessment of the role of the CFO within the Council it can be confirmed that the Authority complies with this statement.
- 4.8 The role of the Head of Internal Audit has been reviewed in accordance with 'CIPFA Statement on the role of the Head of Internal Audit'. The role of the Head of Internal Audit occupies a critical position within any organisation helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role on promoting good corporate governance. The main aim of the CIPFA statement is to promote and raise the profile of the Head of Internal Audit within public service organisations. The Council's current arrangements for the provision of Internal Audit, in partnership with Stoke-on-Trent City Council, ensure that the objectives of this role are achieved.
- 4.9 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council keeps the Constitution under review throughout the year, with a report setting out changes to be consolidated to Council on an annual basis.
- 4.10 Managers Assurance Statements are produced annually by both Executive Directors and Heads of Service. These statements provide a level of assurance with regards to the adequacy of internal controls within their own Directorate and Service Areas.
- 4.11 There are various specialist working groups, i.e. Statutory Officers' Group, Capital, Assets and Commercial Investment Review Group, Corporate Governance, Information Security, Procurement, and Corporate Health and Safety, that agree, oversee and review the various disciplines giving assurance that the Council complies with statute, identifies and manages its risks.
- 4.12 The External Auditors, Grant Thornton gave an unqualified opinion on the 2018/19 Accounts, in their Governance Report. In addition their review of the Council's arrangements for securing financial resilience concluded that the Council had robust financial systems and processes in place to manage its financial risks and opportunities and to secure a stable financial position that enabled it to continue to operate for the foreseeable future.
- 4.13 The Council has a zero tolerance to Fraud and Corruption, the Anti-Fraud and Corruption Framework, Fraud Response Plan and Whistleblowing Policy are in place to help deliver our commitment to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The commitment to deterring fraud and corruption is actively promoted throughout the organisation. Anyone who has any concerns about any aspect of the Council's work is actively encouraged to come forward and voice those concerns.

## **5.0 Significant governance issues**

- 5.1 The Executive Director (Resources and Support Services) post is currently being undertaken by the Interim Executive Director (Resources and Support Services), Jan Willis following an unsuccessful attempt to recruit on a permanent basis. It should be noted that during 2019/20 a number of permanent appointments to senior

roles were made including Head of Human Resources, Head of Planning and Executive Director of Commercial Development and Economic Growth.

5.2 The following matters have been identified as issues that need to be addressed in order to further improve the Council's overall governance arrangements;

- To ensure that funding required for the Councils Capital Programme is maximised through the sale of assets identified for disposal as part of the Asset Management Strategy.
- To ensure that the Council's Constitution is fit for purpose and up to date, in particular decision making processes, and that regular reviews of its appropriateness will continue to be undertaken.
- To continue to raise the profile and status of Information Security and Governance throughout the Council. Work to ensure that information security and data protection requirements and legislation are complied with, is to be continued.
- To ensure that the Council continues to deliver services that meet the needs of our customers and respond to any issues our customers may have with the current level of service provision. Working with our partners we will ensure that we can deliver effectively and efficiently against citizen/customer requirements.
- To ensure that our services demonstrate value for money we will continue to review all Service Areas against best practice and implement actions outlined in Service Plans, in addition we will seek to improve efficiencies across all Council services and ensure that the savings identified from this process can be realised.
- To work in partnership as part of the North West Staffordshire Corporate Fraud Team to ensure that the Council remains vigilant in combating and tackling all aspects of fraud and corruption.
- To ensure that the Council is committed to the safeguarding of all children and vulnerable adults and that they are protected and kept safe from harm whilst engaged in services organised and provided by us.
- To develop the commercial skill sets of Officers and the Council's investment capacity in order to support the Council's long term financial sustainability.
- To improve practical guidance to governance in order to provide clearer understanding of processes to be followed throughout the organisation.
- To better manage and automate decision report production, meeting agendas, minutes and delegated decision powers and records through the digitisation agenda.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review and the forthcoming Corporate Peer Review which will commence later in the year.

## **6.0 Reflecting the challenges and impact from the Coronavirus**

6.1 The Annual Governance Statement assesses governance in place during 2019/20, so the majority of the year will be unaffected by coronavirus. The conclusion in Section 4 above that governance is fit for purpose during 2019/20 has been based on normal operations. However, coronavirus will have impacted on governance during March 2020, and this section looks at the challenges and the impact the coronavirus has had on the Council.

6.2 The impact on governance can be seen under the following broad categories:

### 6.2.1 *Impact on business as usual in the delivery of services*

- Social distancing measures have had a significant impact on the Council's governance arrangements.
- MHCLG laid regulations before Parliament in April 2020 to provide flexibility in relation to local authority and police and crime panel meetings held between 4 April 2020 and 6 May 2021. These regulations provide for remote access to meetings of local authorities by members of a local authority and by the press and public. The regulations also enable local authorities to hold and change the frequency and occurrence of meetings without requirement for further notice and they also remove the provisions requiring local authorities to hold annual meetings.
- Given the fundamental importance of local democracy, openness and transparency, accountability and the overarching responsibility to serve the public interest Newcastle Borough Council has put arrangements in place to hold meetings virtually, allowing elected members to fully engage in taking key decisions and allow for public participation.

### 6.2.2 *National response to coronavirus and governance issues arising*

- The Council has and continues to work on its recovery plan. This currently looks at five areas of recovery work and includes the following areas:-
  1. Reopening Safe, Successful Retain Centres
  2. Supporting Health & Wellbeing
  3. Economic Recovery
  4. Stepping-up Council Services
  5. Financial Recovery
- With the lockdown beginning to be eased, efforts are now be focused on recovery, and ensuring that both the Council and the Borough get "Back on Track" – getting the economy back to its pre-lockdown position as swiftly and safely as possible.
- This plan is delivered through more detailed action plans, with the Cabinet overseeing implementation through portfolio holders working closely with the Executive Management Team colleagues leading on each work stream. Key work undertaken to date is detailed below
- It is still difficult to predict what actions will be needed over the next months and possibly years. There are impacts that will need to be addressed, for instance the Council's role in dealing with local outbreaks of COVID-19 together with the Council's role in the Government's test, track and trace.
- Environmental Health are working across Staffordshire with Public Health to meet the Government's expectations on the part of the plan that will need to be addressed locally. Sufficient resources to meet these demands and support the economy to restart and carry out our usual regulatory duties is a concern, however funding is being made available to upper tier authorities across the country to put these plans in place.

### 6.2.3 *The financial impact of delivering the local government response*

- The ongoing COVID-19 pandemic has already had a significant impact on local council finances, the effects of which will continue through the current period of lockdown and beyond. The financial impact will be due to both unforeseen but necessary, expenditure and reduced income from fees and charges, Council Tax and Business Rates.
- The overall impact is very difficult to predict due to the frequent changes regarding the relaxation of the lockdown measures from Central Government together with anticipating the public's behaviours and responses to these changes.
- The impact will also vary by area, dependent on factors such as geography, demographics, services delivered and the nature of the local economy. However to a large extent, it will depend on how quickly the national and local economies return to normal levels of activity.
- To offset the additional financial pressures being faced by Local Government, Central Government has provided additional funding of £3.2bn to help Council's across the country through the coronavirus pandemic.

6.2.4 *Assessment of the longer term disruption and consequences arising from the coronavirus pandemic*

- It is essential that the Council focuses on the likely impact that the crisis, and its aftermath, will have on income levels both now and into the future.
- The COVID-19 crisis is likely to be long-lasting, affecting more than one financial year. It could be difficult for councils to reduce their spending back to pre-crisis levels and income streams will not necessarily bounce back quickly, especially if the local economy is in recession.
- This means that the assumptions underlying later years in the Medium Term Financial Strategy will need to be reviewed, making the 'funding gap' for 2021/22 and beyond larger and are likely to include:
  - *Business Rates income projections due to collection rates, growth, appeals, empty properties relief and other reliefs.*
  - *Council Tax income projections due to collection rates, growth and Local Council Tax Support.*
  - *Income projections for fees and charges including car parking, property rentals and leisure.*
  - *Transformation and savings projects especially where they are focussed on income generation.*

6.2.5 *Some Positive Outcomes for the Council*

The pandemic has not been totally without some positive outcomes for the Council, for example:

- We have demonstrated the ability to respond and change at pace where needed, something that can be further develop in the future to adapt and deliver change across the Council and its communities.
- The Council's staff have shown the ability to rapidly change mind-set and culture, thereby demonstrating we can deliver services successfully through a virtual front-door and work both flexibly and remotely.
- The pandemic has highlighted the position in regards to the resilience and integrity of our ICT infrastructure.

Once the crisis is over, the Council will conduct a review of the lessons to be learned from its response.

**Signed** \_\_\_\_\_

**Councillor Simon Tagg, Leader of the Council**

**Signed** \_\_\_\_\_

**Martin Hamilton, Chief Executive**

**Dated** \_\_\_\_\_

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**REPORT OF THE EXECUTIVE MANAGEMENT TEAM  
TO THE AUDIT AND STANDARDS COMMITTEE**

**27 July 2020**

**CORPORATE RISK MANAGEMENT REPORT**

**Submitted by:** Executive Management Team

**Portfolio:** Corporate and Service Improvement, People and Partnerships

**Ward(s) affected:** All

**Purpose of the Report**

To inform Members of the progress made by the Council in enhancing and embedding risk management for the period January to March 2020 (Q4) and April to June 2020 (Q1), including progress made in managing identified corporate risks.

**Recommendations**

**The Committee is asked to:-**

- (a) Note that there are no overdue risk reviews (point 2.1.1).**
- (b) Note that there were 8 risk level increases (point 2.2.1).**
- (c) Note that there was 1 new identified risk (point 2.2.2).**
- (d) Note Appendix A and scrutinise the progress that has been made in managing the risks identified within the Corporate Risk Register (point 2.2.3).**
- (e) To agree Appendix B, the Risk Management Policy Statement to be signed by the Chief Executive and Leader (point 2.2.5).**
- (f) To note the Risk Management Strategy documents Appendix C (point 2.2.6).**
- (g) Identify, as appropriate, individual risk profiles to be scrutinised in more detail at the next meeting of the Committee.**

**Reasons**

The risk management process previously adopted by the Council has been reviewed to incorporate changes in the way the Council works and to provide continuity and streamlined reporting of risks to allow the process to become further embedded at each level of the authority. This will also aid the identification of key risks that potentially threaten the delivery of the Council's corporate priorities. The Risk Management Strategy provides a formal and proportionate framework to manage these identified risks and thus reduce the Council's exposure.

## **1. Background**

- 1.1 The Council monitors and manages all its risks through the various risk profiles contained within GRACE (Governance Risk and Control Environment) – the Council's software used to record and manage risks.
- 1.2 The Council currently reviews its high (red 9) risks at least monthly and its medium (amber) risks at least quarterly.
- 1.3 The last review of these risks (Q3 2019) was reported to the Council's Audit & Standards Committee in March 2020.
- 1.4 Risk owners are challenged by the Council's Risk Champions in respect of the controls, further actions, ratings and emerging risks related to their risks, and are also challenged on the reasons for inclusion or non-inclusion and amendment of these.
- 1.5 Projects are managed to a high level in relation to risk and are reviewed in accordance with the Risk Management Strategy (i.e. at least monthly).

## **2. Issues**

- 2.1 Further to an Audit Assurance recommendation, your officer has been asked to report on overdue risk reviews that are 6 months out of date.
  - 2.1.1 At the time of running the report, there are no overdue risk reviews.
- 2.2 Following a previous meeting a brief point is now produced to show any risks where the risk level has increased to a Medium 7, 8 or High 9.
  - 2.2.1 Your officer can report that there were 8 risk level increases. There were 3 increases in the Corporate Risk register; 4 in the Balances and Contingencies Reserve register (from page 18 of Appendix A); and one in Commercial Development (page 22).
  - 2.2.2 There has been 1 new risk identified in the Corporate Risk Register and is specific to the current Covid-19 pandemic. As part of the work incorporated in this risk where the majority is out of the council's control, your officer can advise that
    - During the COVID-19 crisis a high number of the Council's providers have been very proactive in releasing statements on their approach to 'Business as Usual' during current disruptions.
    - Internally Heads of Service were asked to identify their key service providers and to raise any concerns on the potential supply disruption to consumable goods used by their services on a regular basis. Following receipt of this information from officers, contact was made with service provider and suppliers asking for details on their business continuity plans during COVID-19, all responses in the main being very positive, all returns were made available to the relevant Head of Service.

- To date the Council has experienced some minor disruption with medium term capex orders being delayed or put on hold e.g. delivery dates being extended for some of the orders placed for new vehicles (due to the temporary closure of commercial garages). The Council has also seen some projects placed on hold or longer delivery projections received where social distancing measures have needed to be maintained. The Council has also experienced local SMEs having to furlough staff with a few temporarily halting operations.
- The short supply of some PPE products at the start of the crisis has been quickly overcome, with an abundance of new suppliers contacting the Council reference product availability.
- The Council continues to monitor invoice payments ensuring that these are promptly made, these include any part contract payments where certain project milestones were achieved by the Council's suppliers prior to lockdown.

- 2.2.3 See Appendix A for a list of the Corporate Risks, relevant risk owner(s), and the ratings, and those risks that have increased in final risk rating in Q1 2020/2021. It should be noted that by their nature these risks are not within the direct control of the Council and this is reflected in the residual risk rating.
- 2.2.4 Should there have been any changes or increases during July to September 2020 these will be fully reported to the next relevant meeting of the Committee.
- 2.2.5 Appendix B is the revised Risk Management Policy statement that this Committee is required to review and agree, so that it can be signed off by the Chief Executive and Leader.
- 2.2.6 Appendix C is the reviewed Risk Management Strategy that sits behind the policy statement, and highlights roles and responsibilities of all Members and Officers in the council.

### **3. Options Considered**

- 3.1 Following the comprehensive review of risk profiles taking place across the council, the only risks to be reported are those from the Corporate Risk Register, unless there are any significant occurrences or increases in other profiles.

### **4. Proposal – Corporate, Strategic, Operational, Project and Partnership Risk Registers (Appendices)**

- 4.1 The Council regularly reviews and refreshes its risk registers in accordance with the Risk Management Strategy.
- 4.2 These reviews are co-ordinated by the Strategic Risk Champion who works closely with Directors, Operational Risk Champions and Risk Owners.
- 4.3 The measure of the ratings for the impact and likelihood are shown below, for ease of use.

**Impact Measures**

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <u>OR</u> permanent disability	Serious injury <u>OR</u> long-term absence from work (over 7 days)	Minor injury <u>OR</u> short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (up to 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

**Likelihood Measures**

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year <u>OR</u> is highly likely to occur in the next year	An incident has occurred in the past 2-5 years <u>OR</u> is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years <u>OR</u> is likely to occur in the next 6+ years

<b>L I K E L I H O O D</b>	High	7 Amber	8 Amber	9 High Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber

		Low	Medium	High
<b>IMPACT</b>				

**5. Reasons for Preferred Solution**

5.1 To offer a continual review process to minimise and mitigate risks.

**6. Outcomes Linked to Corporate and Sustainable Community Priorities**

6.1 Good risk management is a key part of the overall delivery of the Council's four corporate priorities of:

- Local Services that Work for Local People.
- Growing our People and Places.
- A Healthy, Active and Safe Borough.
- A Town Centre for all.

**7. Legal and Statutory Implications**

7.1 The Accounts and Audit (England) Regulations 2015, state that:

*“The relevant body **is** responsible for ensuring that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective, and includes effective arrangements for the management of risk”.*

**8. Equality Impact Assessment**

8.1 There are no differential equality impact issues in relation to this report.

**9. Financial and Resource Implications**

9.1 None where actions are to be taken in order to mitigate the risks as these will be met from within existing budgets. Where this is not possible, further reports will be submitted to Members of relevant Committees.

**10. Major Risks**

10.1 As highlighted in Appendix A.

**11. Sustainability and Climate Change Implications**

11.1 Officers assess sustainability and climate change implications as part of their local services.

**12. Key Decision Information**

12.1 This report is for information and there are no key decision requirements pertaining to the information contained within the report.

**13. Earlier Cabinet/Committee Resolutions**

13.1 Previous Minutes from Committee meeting held on 9<sup>th</sup> March 2020.

**14. List of Appendices**

14.1 Appendix A – Corporate Risks and heat map.

14.2 Appendix B – Risk Management Policy Statement.

14.3 Appendix C – Risk Management Strategy.

**15. Background Papers**

15.1 Previous Minutes and reports have been circulated to relevant Members and Officers.

DRAFT

# Corporate Risks

## Air Quality

### Risk

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

**Potential Consequences**

**Implication**

**Risk Owners**

**Risk Rating**

**Final Risk Rating**

**Target Risk Level**

**Path**

Failure to monitor and control the air quality in the Borough.

\* Failure to deliver within prescribed timescale, failure to safeguard health, failure to identify alternatives to CAZ, failure to deliver to standard required. \* Failure to comply with Directive Timetable and requirements may result in legal action by Government and Client Earth against the Council. \* Failure by UK Government to satisfy ECJ may lead to fines being passed down to failing LA's under Localism Act. \*Failure to deliver existing workload commitments and statutory duties.

Damage to health / potential legal challenge and further action by Government including intervention in LA Air Quality function. Significant financial implications. Lack of Public Confidence. Reputational damage. Fines if passed down are likely to adversely impact council services. Failure to deliver existing workload commitments and statutory duties

Dave Adams

Medium Amber 6

Medium Amber 6

Medium Amber 3

Corporate Risks/Newcastle Under Lyme

**Last Review** 19/06/2020

**Next Review** 17/09/2020

**Treatment** Tolerate

### Key Controls Identified

Air Quality project

### Action Plans

Action Plan Description

Action Plan Type

Action Plan Owner

Due for Completion by

Comments

**Breach of health and safety**

Likelihood	H			G
	M			R
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

**Potential Consequences**

**Implication**

**Risk Owners**

**Risk Rating**

**Final Risk Rating**

**Target Risk Level**

**Path**

Failure to comply with relevant health and safety legislation.

Reputational damage. Adverse financial implications. Third party intervention.

Martin Hamilton

High Red 9

Medium Amber 6

Medium Amber 3

Corporate Risks/Newcastle Under Lyme

**Last Review** 19/06/2020

**Next Review** 17/09/2020

**Treatment** Treat

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**Key Controls Identified**

Health & Safety Policy and Employees Handbook

Target 100 corporate H&S system

Internal training policies, EDR, annual training audit, training resources secured, relevant training provided.

Health & Safety officer post on establishment.

Inspection programme of premises.

Liaison with external bodies.

Update seminars, professional membership, access to legislation and reference materials, support from legal services

Facilities Management controls in place for regular maintenance and servicing.

Corporate Health & Safety Committee including senior representation.

Twice weekly Incident Management Team

Comprehensive refresher training programme completed

Covid-19 risk assessments

Health and Safety sub-committees established and operational

Internal audit of corporate H&S service undertaken

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**Action Plans**

**Action Plan Description**

**Action Plan Type**

**Action Plan Owner**

**Due for Completion by**

**Comments**

Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Corporate mandate to routinely review and update Target 100 risk assessments and tasks	Ongoing	EMT	30/09/2020	Note continuation of H&S Thursdays.
Implementation of action plan	Implementation of action plan arising from Directors' refresher training to be monitored by Corporate H&S Committee.	Ongoing	Dave Adams Nesta Barker	30/09/2020	

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**Civil emergency**

Risk  
Likelihood

H			
M			
L		R/T/G	
	L	M	H

Impact

**Impact Measures**  
**Risk Description** Civil emergency  
**Potential Consequences** Possible unbudgeted costs; service delivery affected  
**Implication** Fall in usual service delivery; complaints;  
**Risk Owners** Martin Hamilton  
**Risk Rating** Low Green 2 **Last Review** 19/06/2020  
**Final Risk Rating** Low Green 2 **Next Review** 16/12/2020  
**Target Risk Level** Low Green 2 **Treatment** Tolerate  
**Path** Corporate Risks/Newcastle Under Lyme

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**Key Controls Identified**

Bellwin Scheme should meet 85% of cost  
 Insurance provision established  
 Contingency reserve available

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**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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### Corporate Governance

**Risk**

	H			
Likelihood	M			G
	L			R/T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

Failure of Corporate Governance exposes the Council to financial, legal or reputational risk.

**Potential Consequences**

Financial implications Legal challenges Reputation damage Loss of organisational capacity Government Intervention

**Implication**

**Risk Owners**

Daniel Dickinson

**Risk Rating**

Medium Amber 6

**Last Review**

19/06/2020

**Final Risk Rating**

Medium Amber 3

**Next Review**

17/09/2020

**Target Risk Level**

Medium Amber 3

**Treatment**

Tolerate

**Path**

Corporate Risks/Newcastle Under Lyme

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**Key Controls Identified**

- Audit & Standards Committee
- Advice obtained from external bodies as and when required
- Statutory Officer Group
- Internal Audit inspections
- Monitoring Officer
- Relationships

---

**Action Plans**

Action Plan Description

Action Plan Type

Action Plan Owner

Due for Completion by

Comments

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**Covid-19**

Risk

Likelihood

H			R/G
M			
L			T
	L	M	H

Impact

**Impact Measures**  
**Risk Description** Pandemic leading to widespread lockdown and social distancing  
**Potential Consequences** Higher mortality rates  
 Local economic impacts  
**Implication** Loss of service and financial implications.  
 Business continuity  
**Risk Owners** Martin Hamilton  
**Risk Rating** High Red 9  
**Final Risk Rating** High Red 9  
**Target Risk Level** Medium Amber 3  
**Path** Corporate Risks/Newcastle Under Lyme

**Last Review** 19/06/2020  
**Next Review** 19/07/2020  
**Treatment** Treat

**Key Controls Identified**

- Twice weekly Incident Management Team
- Multi-Agency Response plan
- Government lobbying takes place
- Financial assistance
- Business Continuity Plans in place

**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Formulate a post-Covid recovery plan	Including a step-up plan for services and a financial recovery plan	Ongoing	Martin Hamilton	24/07/2020

**Cyber risk**

**Risk**

Likelihood	H			G
	M			R
	L		T	
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

The Council's infrastructure could be compromised by the introduction of malicious software. This could include a traditional destructive virus or another type of incursion such as information gathering software, ransomware, credential harvesting, etc. Everything from non-criminal system failures to criminal activities (be they first or third party) can impact on our ability to operate.  
 •With the new GDPR legislation the risks associated with breaches, made worse by non-compliance to security standards and general best practice, have increased the need to understand our risk landscapes and mitigate them as appropriate.

**Potential Consequences**

•The impact of these events can have financial, operational, strategic, compliance, criminal, and reputation impacts.

**Implication**

This risk implies that the Council's network or infrastructure has been compromised and an unknown threat actor who has successfully introduced malicious software such as a virus or ransomware to our environment. It should also be considered that this introduction has or will disrupt services or otherwise compromise the Council's information systems over an undetermined period. The malicious software could have been introduced in any number of ways, such as by a member of staff clicking on a link within an email, the opening of a malicious file or the failure of ICT or a service provider to sufficiently patch and update vulnerable systems. There is also the potential for an attack to make use of a zero-day exploit - something which takes advantage of a previously unknown vulnerability, for which there is no immediate fix or protection.

**Risk Owners**

Jan Willis

**Risk Rating**

High Red 9

**Last Review**

19/06/2020

**Final Risk Rating**

Medium Amber 6

**Next Review**

17/09/2020

**Target Risk Level**

Low Green 2

**Treatment**

Treat

**Path**

Corporate Risks/Newcastle Under Lyme

**Key Controls Identified**

- Staff awareness
- Internet and email policies
- Anti-Virus scanning at internet gateway
- Anti-Virus software
- Comprehensive Information Security policies
- Blocking of Removable Media
- Mandatory Information Security training for staff
- Information Security Group
- Penetration testing
- Receive Gov Cert UK Warnings from NCSC
- Use of Government CNS service

Anti-Ransomware software  
 Patch management  
 Use of Virtualised Environments  
 Attendance at West Midlands WARP (West Midlands Warning and Reports Procedures Group)

---

**Action Plans**

	<b>Action Plan Description</b>	<b>Action Plan Type</b>	<b>Action Plan Owner</b>	<b>Due for Completion by</b>	<b>Comments</b>
Filing Cabinet	Need to check key documents for recovery	Planned	Daniel Dickinson David Elkington Georgina Evans Richard Kissman Simon Sowerby	31/07/2020	Identify an electronic or Cloud based filing cabinet along with a physical document filing cabinet
Investigate Cyber insurance		Planned	David Elkington Simon Sowerby	31/07/2020	

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**Data Breach**

**Risk**

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

Non-compliance with the Data Protection Act and and General Data Protection Act

**Potential Consequences**

Fine of up to £20m and damage to reputation

**Implication**

Severe

**Risk Owners**

Daniel Dickinson

**Risk Rating**

Medium Amber 6

**Last Review**

19/06/2020

**Final Risk Rating**

Medium Amber 6

**Next Review**

17/09/2020

**Target Risk Level**

Medium Amber 3

**Treatment**

Tolerate

**Path**

Corporate Risks/Newcastle Under Lyme

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**Key Controls Identified**

Information Governance Officer  
 Information Security Group Formed  
 Training available

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**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Review mandatory DPA/GDPR training across the Council	Planned	Daniel Dickinson David Elkington	30/09/2020	
Review of GDPR policies	To ensure that information governance processes are in place and up to date inc. DHR & SAR etc.	Planned	Diana Litherland	31/07/2020

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**Failure of major insurer**

Likelihood	H			
	M			
	L		R/T/G	
		L	M	H
	Impact			

**Impact Measures**  
**Risk Description** Failure of major insurer  
**Potential Consequences** Unable to provide cover/protection. Financial burden due to self-insurance.  
**Implication** Additional burden on in-house insurance section.  
**Risk Owners** Martin Hamilton  
**Risk Rating** Low Green 2 **Last Review** 19/06/2020  
**Final Risk Rating** Low Green 2 **Next Review** 16/12/2020  
**Target Risk Level** Low Green 2 **Treatment** Tolerate  
**Path** Corporate Risks/Newcastle Under Lyme

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**Key Controls Identified**

Insurance broker appointed  
 Insurance placed with insurer with double A standing  
 Exception reporting  
 Biennial report

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**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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**Financial Risk**

**Risk**

Likelihood	H			R/G
	M			
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

**Potential Consequences**

**Implication**

**Risk Owners**

**Risk Rating**

**Final Risk Rating**

**Target Risk Level**

**Path**

Council's financial position is unsustainable in the medium to long term.

Council unable to provide anything other than core services.  
Reputation damage.  
Government intervention.

Jan Willis

High Red 9

High Red 9

Medium Amber 3

Corporate Risks/Newcastle Under Lyme

**Last Review** 19/06/2020

**Next Review** 19/07/2020

**Treatment** Treat

**Key Controls Identified**

- Adequate level of reserves and balances
- Regular financial risk assessments
- Realistic medium term financial plan
- Statutory Officer Group

**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Capital programme freeze	Ongoing	Jan Willis	30/11/2020	
Freeze on non-essential revenue expenditure	Ongoing	Jan Willis	30/11/2020	
Increase reserves and balances	Monthly review and update of financial risk assessments reserves and balances	Jan Willis	31/07/2020	
Lobby MHCLG for additional Covid funding and or capitalization directive	Ongoing	Jan Willis	30/11/2020	
Recruitment freeze	Ongoing	Jan Willis	30/11/2020	

**Loss of major contractor**

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description** Loss of major contractor or supplier to the Council.  
**Potential Consequences** Disruption to service; Financial costs; Potential claims

**Implication** Reputation damage

**Risk Owners** Martin Hamilton

**Risk Rating** Medium Amber 6

**Final Risk Rating** Medium Amber 6

**Target Risk Level** Medium Amber 3

**Path** Corporate Risks/Newcastle Under Lyme

**Last Review** 19/06/2020

**Next Review** 17/09/2020

**Treatment** Treat

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**Key Controls Identified**

- Procurement Working Group exists to deliver the strategic objectives through the Procurement Strategy
- Market intelligence
- Continuous monitoring of contracts and annual credit check
- Contracts register in place
- Corporate Procurement Officer & Procurement Strategy

---

**Action Plans**

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Annual credit checks	Business Improvement Manager to confirm with Finance systems that Civica system will prompt credit checking process.	Planned	Simon Sowerby	30/06/2021	A standalone system has been set up linked to the contracts register update that links with Outlook to diarise reminders for annual credit checks to take place for contracts that have been in place. The reminders are annual based on the date the contract was awarded.

**Loss of operating building**

**Risk**

Likelihood	H			
	M			
	L		R/T/G	
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

The risk of Castle House or the Depot being unavailable due to an event

**Potential Consequences**

Service failure; Business interruption; Financial costs;

**Implication**

Reputation damage.

**Risk Owners**

Martin Hamilton

**Risk Rating**

Low Green 2

**Last Review**

19/06/2020

**Final Risk Rating**

Low Green 2

**Next Review**

16/12/2020

**Target Risk Level**

Low Green 2

**Treatment**

Treat

**Path**

Corporate Risks/Newcastle Under Lyme

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**Key Controls Identified**

- Support from Civil Contingencies Unit
  - Major incident plan in place
  - Gold and Silver teams set up
  - Business Continuity Plans in place
  - Civil Contingencies Business Working Group in place
- 

**Action Plans**

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Castle House Business Continuity Plan development	Work to be undertaken to develop the BCP for the specific Castle House operation of Newcastle Borough Council employees	Planned	Martin Hamilton	30/09/2020	

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**Safeguarding**

Likelihood	H			
	M			R/G
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

Failure of the Borough Council (both officers and Members) to recognise both a moral and legal obligation to ensure a duty of care for children and adults across its services. The Borough Council is committed to ensuring that all children and adults are protected and kept safe from harm whilst engaged in services organised and provided by the Council.

**Potential Consequences**

Harm and Death. Reputation damage. Legal implications. Third Party intervention with investigations.

**Implication**

**Risk Owners**

Simon McEneny

**Risk Rating**

Medium Amber 6

**Last Review**

19/06/2020

**Final Risk Rating**

Medium Amber 6

**Next Review**

17/09/2020

**Target Risk Level**

Medium Amber 3

**Treatment**

Treat

**Path**

Corporate Risks/Newcastle Under Lyme

**Key Controls Identified**

- Policy and Procedures
- Personnel
- Partners and Partnership working

**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Corporate drive across the business to recognise Safeguarding as each persons responsibility.	Ongoing	Dave Adams Martin Hamilton Simon McEneny	31/12/2020	Work is ongoing in this area. Training continues to be disseminated to staff and members. An approved action plan is in place and currently being delivered via the Safeguarding Champions group

**Strategic Priorities**

**Risk**

	H		R/G
Likelihood	M	T	
	L		
		L	M
	Impact		

**Impact Measures**  
**Risk Description** Lack of capacity to deliver strategic priorities, and or resource allocation not aligned to strategic priorities  
**Potential Consequences** Strategic priorities not delivered.  
 Reputation damage.

**Implication**  
**Risk Owners** Martin Hamilton  
**Risk Rating** High Red 9  
**Final Risk Rating** High Red 9  
**Target Risk Level** Medium Amber 5  
**Path** Corporate Risks/Newcastle Under Lyme

**Last Review** 19/06/2020  
**Next Review** 19/07/2020  
**Treatment** Treat

**Key Controls Identified**

Alignment of service and financial planning  
 Borough Growth Fund  
 Investment Strategy and Revolving Investment Fund  
 Government lobbying takes place

**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Formulate a post-Covid recovery plan	To include a review of the MTFs and Strategic Priorities. A mid-term review of the Council Plan is also being undertaken.	Ongoing	Martin Hamilton	30/09/2020

**Strategic Projects**

38 H			
M			R/G
L			T
	L	M	H

**Impact Measures**

**Risk Description**

Failure to deliver key strategic project or projects

**Potential Consequences**

Reputational harm Financial implications Local economic impact Legal challenge  
Loss of influence and control

**Implication**

**Risk Owners**

Simon McEneny

**Risk Rating**

Medium Amber 6

**Last Review**

19/06/2020

**Final Risk Rating**

Medium Amber 6

**Next Review**

17/09/2020

**Target Risk Level**

Medium Amber 3

**Treatment**

Treat

**Path**

Corporate Risks/Newcastle Under Lyme

Impact

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**Key Controls Identified**

Advice obtained from external bodies as and when required

Governance

Resources

---

**Action Plans**

	Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Establish project management capability	Establish project management capability	Planned	Jan Willis	30/09/2020	

**Workforce**

**Risk**

	H			
	M		G/R	
	L		T	
Likelihood		L	M	H
		Impact		

**Impact Measures**

**Risk Description**

Lack of capacity due to failure to replace key staff or provide resources to cover the work of staff temporarily involved in other priority areas. Failure to train and develop employees to meet the needs of the Council. Failure to implement effective reviews of policies and procedures.

**Potential Consequences**

Staff not treated fairly - implications for staff morale, effective recruitment and retention. Skills shortages. Out of date policies. Failure to maintain day to day service provision where service quality, availability and consistency of service is affected. Ineffective leadership. Inconsistencies of interpretation of policies and procedures. Not supporting managers and employees. Reduced levels of service, non provision of training needs, non involvement in partnership needs etc. due to existing staff meeting the additional workload arising from lack of capacity. Failure to achieve objectives of improvement plan. Increased costs to the authority in relation to flexible retirement.

**Implication**

Legislation implications. Employee relation implications.

**Risk Owners**

Jan Willis

**Risk Rating**

Medium Amber 5

**Last Review**

19/06/2020

**Final Risk Rating**

Medium Amber 5

**Next Review**

17/09/2020

**Target Risk Level**

Low Green 2

**Treatment**

**Path**

Corporate Risks/Newcastle Under Lyme

**Key Controls Identified**

**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
Develop workforce strategy and development plan	Planned	Georgina Evans	30/10/2020	

## Balances and Contingencies Reserve

Income cannot be collected because of non-availability of service (e.g. through closure of facilities for repairs)

### Risk

	H			R
	M			
	L			T/G
	L	M	H	
Likelihood				
				Impact

**Impact Measures**

**Risk Description**

Income cannot be collected because of non-availability of service (e.g. through closure of facilities for repairs). Some areas of income cannot be collect at present due to Covid-19.

**Potential Consequences**

Shortfall in Income leading to overspends

**Implication**

**Risk Owners**

Dave Adams; Martin Hamilton; Jan Willis

**Risk Rating**

Medium Amber 3

**Last Review**

27/05/2020

**Final Risk Rating**

High Red 9

**Next Review**

26/06/2020

**Target Risk Level**

Medium Amber 3

**Treatment**

Tolerate

**Path**

Balances and Contingencies Reserve/Finance/Resources and Support Services/Newcastle Under Lyme

### Key Controls Identified

Included in Calculation of Prudent Minimum balances

### Action Plans

Action Plan Description

Action Plan Type

Action Plan Owner

Due for Completion by

Comments

**Income falls short of Budget because of general reduction in activity e.g because of economic recession.**

**Risk**

Likelihood	H			R/G
	M			
	L			T
		L	M	H
	Impact			

**Impact Measures**

**Risk Description** Income falls short of Budget because of general reduction in activity e.g because of economic recession. Corvid-19 will push the country into an economic recession which will in turn impact the Council's income.

**Potential Consequences** Shortfall in income leading to overspends

**Implication**

**Risk Owners** Dave Adams; Martin Hamilton; Jan Willis

**Risk Rating** High Red 9 **Last Review** 27/05/2020

**Final Risk Rating** High Red 9 **Next Review** 26/06/2020

**Target Risk Level** Medium Amber 3 **Treatment** Tolerate

**Path** Balances and Contingencies Reserve/Finance/Resources and Support Services/Newcastle Under Lyme

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**Key Controls Identified**

Included in Calculation of Prudent Minimum balances

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**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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### Savings built into Budget are not realised

H			R
M			G
L			T
	L	M	H

Impact

**Impact Measures**  
**Risk Description** Savings built into Budget are not realized. Additional pressure put on some of the income areas due to Covid-19.  
**Potential Consequences** Additional unbudgeted costs

**Implication**  
**Risk Owners** Dave Adams; Martin Hamilton; Jan Willis  
**Risk Rating** Medium Amber 6 **Last Review** 27/05/2020  
**Final Risk Rating** High Red 9 **Next Review** 26/06/2020  
**Target Risk Level** Medium Amber 3 **Treatment** Tolerate  
**Path** Balances and Contingencies Reserve/Finance/Resources and Support Services/Newcastle Under Lyme

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#### Key Controls Identified

Regular budget monitoring.  
 Budget Review Group monitoring  
 Corporate Service and Financial Planning process in place

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#### Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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**Sickness Absence greater than target**

**Risk**

Likelihood	H			R
	M			G
	L		T	
		L	M	H
	Impact			

**Impact Measures**

**Risk Description**

**Potential Consequences**

**Implication**

**Risk Owners**

**Risk Rating**

**Final Risk Rating**

**Target Risk Level**

**Path**

Sickness Absence greater than target. Likely to be higher due to Covid-19.

Financial implications  
Adverse publicity and Reputational Damage  
Service Disruption

Dave Adams; Martin Hamilton; Jan Willis

Medium Amber 6

High Red 9

Low Green 2

Balances and Contingencies Reserve/Finance/Resources and Support Services/Newcastle Under Lyme

**Last Review** 27/05/2020

**Next Review** 26/06/2020

**Treatment** Tolerate

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**Key Controls Identified**

Absence Management Policy

Included in Calculation of Prudent Minimum balances

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**Action Plans**

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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# Commercial Development

## Failure to meet income targets

### Risk

Likelihood	H	R/G	
	M	T	
	L		
		L	M
	Impact		

**Impact Measures**

**Risk Description**

**Potential Consequences**

**Implication**

**Risk Owners**

**Risk Rating**

**Final Risk Rating**

**Target Risk Level**

**Path**

Failing to achieve income targets throughout the service and commercial development

Financial implications, including budgetary pressures.

Rob Foster; Simon McEneny

Medium Amber 8

Medium Amber 8

Medium Amber 5

Commercial Development/Commercial Development and Economic Growth/Newcastle Under Lyme

**Last Review** 24/04/2020

**Next Review** 23/07/2020

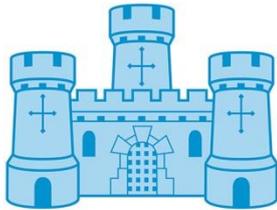
**Treatment** Tolerate

### Key Controls Identified

- Specific & general marketing of activities ongoing.
- Advertising, specific & general marketing of activities ongoing.
- Budget monitoring.
- Continuous monitoring of funding.
- Continuously ensure budgets reflect service requirements at estimate time.
- Cultural & Arts Strategy, in place.
- Education programmes increases income to the council.
- External funding grants.
- Development of income generation.

### Action Plans

Action Plan Description	Action Plan Type	Action Plan Owner	Due for Completion by	Comments
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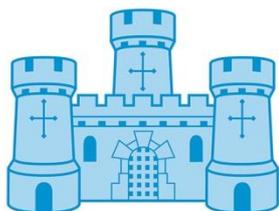


**NEWCASTLE·UNDER·LYME**  
**BOROUGH COUNCIL**

## **RISK MANAGEMENT POLICY STATEMENT** **2020/2021**

<b>Date of Approval:</b>	<b>July 2020</b>
<b>Approved by:</b>	<b>Audit &amp; Standards Committee</b>
<b>Next Review due:</b>	<b>June 2021</b>
<b>Version:</b>	<b>11.0</b>
<b>Changes:</b>	<b>See below</b>
<b>Previous version:</b>	<b>10.0 April 2019</b>

<b>Changes</b>	<b>19/06/2020</b>	<b>1. Date changes (2019/20 to 2020/21)</b>
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NEWCASTLE·UNDER·LYME  
BOROUGH COUNCIL

## RISK MANAGEMENT POLICY STATEMENT 2020/21

### 1. Purpose

The purpose of this policy statement is to recognise and communicate the responsibility of Newcastle-under-Lyme Borough Council ('the council') in managing both external and internal risks through identified and endorsed best practice as described by the Association of Local Authority Risk Managers (ALARM), CIPFA and other relevant bodies connected to effective risk management. There is also an agreed responsibility on the council to identify, examine and cost effectively control risks to ensure they are eliminated or reduced to an acceptable level.

The overall policy, therefore, demonstrates the Council's ongoing commitment to maintain risk management as an important part of the daily operations of the council.

### 2. Commitment to Risk Management

The Leader of the council, the council's Cabinet portfolio holders and the council's Executive Management Team (EMT) are committed, collectively, to:-

- Identifying and adopting best practice, where possible, in the identification, evaluation and cost effective control of risks;
- Ensuring risks are reduced to a level that sits within the council's appetite, and/or eliminated; and;
- Maximising opportunities to achieve the council's corporate priorities and to deliver core service provisions at all times

2.1 It is acknowledged that some risks will always exist and will never be eliminated. These risks, therefore, will be tolerated or mitigated as far as reasonably practicable by the council, and the council will ensure that they are reviewed and reported on a regular basis to ensure they do not worsen.

2.2 All employees must understand the nature of any risk and accept responsibility for those risks associated with their area of work. In doing so they will receive necessary support, assistance and commitment from senior management and elected Members.

2.3 The council's risk management objectives are an important part of good management and effective governance practices. These objectives need

## **APPENDIX B**

the full and continuing support of elected Members and the active participation of Executive Directors and Heads of Service in ensuring that they are realised and actioned where possible.

Risk management is one of the principal elements of Corporate Governance and is a key contributor to ensuring a sound internal control environment at any organisation. Through the implementation and embedding of an effective risk management framework, the council will ensure that it is better placed to positively manage its levels of performance, achieve its corporate priorities and provide an enhanced level of service to its stakeholders, including the citizens of the Borough.

- 2.4 This strategy, therefore, sets out and demonstrates how the council is discharging its responsibility to manage risk effectively and also how it is maximising opportunities to by using a structured and focused approach to risk management.
- 2.5 The council will continue to develop and maintain a systematic framework and process for managing corporate, operational, project and partnership risks and will review this framework annually. This will include assessing risks for impact and likelihood, identifying and allocating responsibility for their mitigation and receiving assurances about ongoing management of these risks.
- 2.6 The key benefits of this framework and a strong risk culture throughout the organisation are:-
- A consistent focus on what needs to be done to achieve our objectives;
  - The encouragement of enhanced partnership working to identify, manage and mitigate the risks facing the community as a whole;
  - Delivering improvements in meeting the needs of the community, minimising complaints and achieving improvements in service delivery;
  - Supporting the use of innovative approaches to improving outcomes and achieving better value in the use of public money;
  - Better management and delivery of change programmes;
  - Greater control of insurance costs, including reductions/limitations in insurance premium costs;
  - Protection and enhancement of the reputation of the council; and
  - To anticipate and respond proactively and reactively to the changing social, environmental, political, legislative, economic and, technological context the council works within and also to deal with a whole range of competitive and citizen-based requirements.
- 2.7 Newcastle-under-Lyme Borough Council is committed to genuinely embedding risk management and all its elected Members, employees, service providers, partners and stakeholders are encouraged and expected to commit to developing the culture, ethos and practice of risk management in every activity they undertake. The overall risk management approach for

## **APPENDIX B**

the organisation will therefore focus on pragmatic, meaningful assessment and treatment of risks and will discourage the capturing of generic, intangible corporate risks or non-relevant information where possible.

- 2.8 Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely reactive, defensive responses. Measures to manage adverse risks are likely to help with managing opportunities both in the short and the long terms.

This policy, therefore, provides a clear statement of direction for risk management as it is operated in the council and also by the council in dealings with other bodies.

### 3. **The council**, in providing a risk management function: -

- Recognises that good risk management practice is an integral part of management responsibilities if the highest quality services are to be delivered to the community in the most cost effective way;
- Recognises that risk management can be used as a valuable tool at a corporate level as well as at operational/service/functional level;
- Is committed to manage all of its activities in a way which minimises risks to people, property, services and its finances and to protect its assets through effective and efficient risk management; and
- Recognises that effective risk management is an integral part of robust performance management and good governance within the Council, as managing identified risks and controlling the potential negative consequences, whilst identifying opportunities, helps to ensure the delivery of objectives and priorities.

The council's key corporate priorities, as set out in the Council Plan, are:-

- Local Services that Work for Local People.
- Growing our People and Places.
- A Healthy, Active and Safe Borough.
- A Town Centre for all.

Each of these priority areas has a number of objectives within them which the council works towards on an on-going basis as part of service planning and organisational development. Progress against these is measured and publicly reported through a number of different channels.

The council has a statutory responsibility to have in place arrangements for managing risks as stated in the Accounts and Audit Regulations:-

'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control

## **APPENDIX B**

which facilitates the effective exercise of its functions and includes arrangements for the management of risk.’

4. In order to manage risks the council has adopted an approach that is used across all services. The Council acknowledges that risks occur in the day to day delivery of services, the delivery of individual projects and initiatives, and in relation to any important decisions facing the council and its key partners. We should do what is reasonable to prevent or minimise the impact of these risks and to maximise opportunities when they arise.
5. The rationale behind the risk management process is that the predictable risks are identified and managed, allowing the greatest level of control possible to be put in place. In this sense the risk management process then allows managers to free up capacity to deal with any as-yet unidentified risks as they emerge.
6. To meet the responsibilities above, the council will: -
  - Ensure that risk management retains a high profile in the culture of the council;
  - Ensure clarity as to what needs to be done to achieve objectives;
  - Manage risk in accordance with best practice in line with ALARM & CiPFA guidance and advice;
  - Anticipate and respond to changing social, environmental, legislative, political, economic, technological, competitive and citizen requirements;
  - Prevent injury, damage and losses and reduce the cost of risk where possible;
  - Protect the council's assets;
  - Provide the best possible service to customers;
  - Maintain the reputation of the council;
  - Realise opportunities;
  - Promote innovation to achieve objectives; and
  - Ensure that risk management arrangements with our partners are robust.
7. The above will be achieved by:-
  - Reporting risk to individual Executive Directors and Heads of Service; Departmental Management Teams (DMTs), Wider Management Team (WMT), EMT and the council's Audit & Standards Committee;
  - Implementing a Risk Management Strategy that establishes clear roles, responsibilities, escalation and reporting lines within the council for risk management;
  - Providing opportunities for shared learning around risk management across the council;
  - Offering a platform for identifying and prioritising risk areas;
  - Reinforcing the importance of effective risk management as part of everyday work of employees;

## **APPENDIX B**

- Incorporating risk management considerations into all aspects of the council's work including risk management capabilities in to policy and strategy making, service plans and performance challenge of Heads of Service;
  - Monitoring arrangements on an ongoing basis;
  - Regularly reviewing its arrangements to ensure it is following best practice and will consult with stakeholders; and
  - Engaging with stakeholders, including key partners and contractors, to develop their understanding of risk management and to ensure that they are engaged in effective risk management themselves.
8. The Chief Executive and Leader of the Council will be asked to sign off the policy and strategy as part of displaying both their commitment to risk management and also the organisation's commitment to these processes.

Signed: ORIGINAL SIGNED

Date: xx/06/2020

Leader of the Council

Signed: ORIGINAL SIGNED

Date: xx/06/2020

Chief Executive



## **RISK MANAGEMENT STRATEGY 2020/21**

### **1. Purpose**

The purpose of this strategy is to: -

- Demonstrate how the Risk Management policy is to be implemented through Newcastle-under-Lyme Borough Council's commitment to risk management;
- Describe the objectives of risk management and provide a framework for embedding risk management further across the organisation with defined roles and responsibilities and a structured process. This will then ensure that opportunities are maximised and risks minimised; and
- Enable the council to develop risk management further through its effective use in its management and decision making processes.

### **2. Objectives of the Risk Management Strategy**

The objectives of the strategy are:-

- To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand how they should contribute to effective risk management;
- To ensure a consistent process for identifying, evaluating, controlling, reviewing, reporting and communicating risks across the council is implemented, understood and embraced by all staff and members;
- To embed risk management into the ethos, culture, policies and practices of the council;
- To ensure that risk management is a key and effective contributor to the Annual Governance Statement; and
- To manage risk in accordance with recognised best practice through guidance provided by the Association of Local Authority Risk Managers (ALARM) & CIPFA (together with other relevant bodies)

### **3. Achievement of objectives**

- 3.1 *To clearly identify the roles and responsibilities of people at all levels and ensure that all parties understand that they should contribute to effective risk management.***

Responsibility for risk management runs throughout the council and involves elected Members, senior officers and all other employees (see Appendix A). Clear identification of roles and responsibilities will ensure that risk management is embedded in all policy making, decision making, policy approval (strategic) processes and service delivery (operational) processes, as well as providing sufficient resources to both implement this strategy and thus ensuring systems are sustainable.

The roles and responsibilities are outlined at appendix A.

**3.2 To ensure the implementation of a consistent process for the identifying, evaluating, controlling, reviewing, reporting and communicating of risks across the council that is understood and embraced by all key stakeholders**

To assist with the approach to risk management and to ensure consistency across the council, a guidance document (appendix B) on the council's risk management process has been devised and developed for use by relevant individuals, services and organisations.

By effectively managing risks and opportunities the council will be in a stronger position to deliver its: -

- Corporate Priorities and Objectives;
- Services to the public;
- Partnership working agenda;
- Best value/value for money procedures and processes; and
- Identified outcomes

It will also inform the business processes of the council including: -

- Strategic/corporate planning;
- Financial planning;
- Service planning;
- Policy making and policy reviews;
- Performance management framework;
- Project management processes and frameworks;
- Partnership working;
- Internal controls and internal audit; and
- Business continuity and emergency planning arrangements

With responsibility for achieving objectives sits identifying risks, assessing them, developing controls and warning mechanisms, reviewing and reporting on progress by key individuals within the organisation.

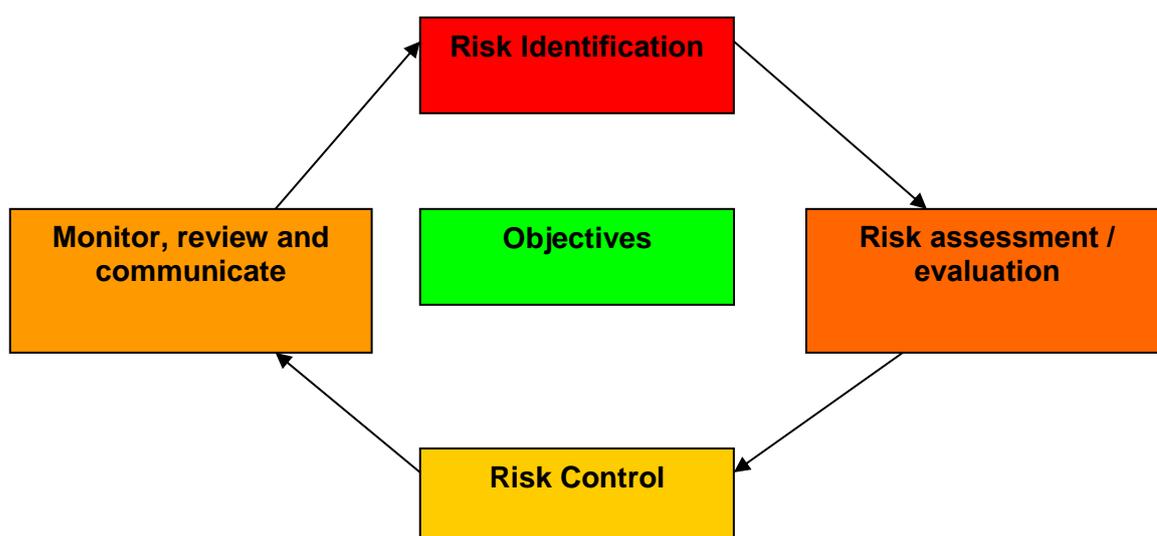
Some objectives, however, are reliant on external organisations with which the council works e.g. key partners and contractors. Working with external organisations could affect the achievement of objectives and this also must be taken into account when delivering the key elements of this strategy.

The strategic risk champion and other nominated risk champions have responsibilities including the support, challenge and recording of risks within their directorates or service areas. They will assist in the compiling of risk registers, whilst ensuring that the risk management strategy is adhered to as far as is possible. Officers who are involved in specific projects or operational activities will be responsible for identifying, assessing, developing, reviewing and reporting of risks. This will enable constructive discussions of the identification of risks, further actions and controls for the profiles to be undertaken on an ongoing basis.

The management of risk is an important part of the corporate planning and policy making/decision making processes and also in the key areas of project and change management.

Below is a summary of the council's risk management process. For an in-depth explanation, please refer to appendix B.

### Summary Guide



### 3.2.1 Objectives

Any organisation is primarily concerned with the achievement of objectives. You need to know what you are trying to achieve before you can start to think about the risks that could have an impact on your success.

The more clearly objectives are defined, the more it will help you consider those risks that could actually impact on your objectives. When setting objectives remember to make them **S**pecific, **M**easurable, **A**greed, **R**ealistic and **T**ime bound (SMART).

**At strategic level** - the Council has four Corporate Priorities to which strategic risks are linked.

**At operational level** - each service has a number of business objectives contained within each service and financial plan to which operational risks are linked.

**At project level** - the relevant project brief or project initiation document details the aims and objectives of the project.

**At partnership level** - the partnership agreement or other formally agreed arrangements will detail the aims and objectives of the partnership.

### 3.2.2 Risk identification

<b>What could go wrong?</b>	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
<b>Ensure risks are structured – what are the key elements to each risk?</b>	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
<b>What type of risk is it?</b>	Strategic, Operational, Project
<b>What category is it?</b>	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

**At strategic level**, Executive Directors identify strategic and cross-cutting risks through facilitated awareness sessions. The risks identified are:

- Those that could significantly impact on the achievement of the Council's overall priorities;
- Those that are recorded in the Corporate Risk Register and individual Directorate Operational Risk Registers; and
- Those that can be used to inform policy decisions.

**At operational level** – Heads of Service and Business Managers identify operational risks which may prevent them from achieving business objectives identified in their service plans, as well as any measures and actions to manage these risks. The risks identified are: -

- Those that could significantly impact on the achievement of the Business objectives;
- Those that are recorded in each Directorate's Operational Risk Register; and
- Those that can be used to inform meetings/actions between Business Managers and Heads of Service, and completion of the day to day services.

**At project level** - Project Managers will identify the risks that could impact on the successful delivery of the project. The risks identified are: -

- Those that could significantly impact on the achievement of the project;
- Those that are recorded in the Project Risk Register (whether on the corporate GRACE system or the Project Plan risk register);
- Those that can be used to inform both strategic and operational risk identification

**At partnership level** - the Council has developed a working agreement to instigate the Lead Partner risk management framework. This will deliver

- A framework for all staff involved in considering new partnership workings.
- Assist members and officers wishing to review existing arrangements.

### 3.2.3 Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

<p>What would be the impact on the council if the risk actually happened?</p> <p>How likely is it to happen?</p> <p>Based on the answers above, plot the rating on the table opposite</p> <p>The bold line on the matrix is the <b>limit of the council's risk tolerance</b>, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))</p>	LIKELIHOOD	HIGH	Amber 7	Amber 8	RED 9
		MEDIUM	Green 4	Amber 5	Amber 6
		LOW	Green 1	Green 2	Amber 3
					Low
IMPACT					

### 3.2.4 Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the **council's risk appetite** (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk?  What could should be done to reduce the impact and/or likelihood of the risk?  What else do you need to do to control the risk?  (see Appendix B(iii))	Priority	Review Period (months)	Action			
			Tolerate	Treat	Transfer	Terminate
High	1			√	√	√
Medium	3 (1/4ly)	√	√	√	√	
Low	6 (half yearly)	√	√	√	√	

### 3.2.5 Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?
- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?
- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

<b>Red</b>	High risk, prompt action, contingency plan, monitor at least monthly
<b>Amber</b>	Medium Risk, contingency plan, monitor at least quarterly
<b>Green</b>	Low risk, monitor at least half annually/annually

### 3.3 *To embed risk management into the ethos, culture, policies and practices of the council*

Risk management is well established at the council but this strategy is seeking to build on it. The aim is to ensure that risk management plays an integral part in decision making and the day to day business of the council in a structured uniform manner.

Risk management will be part of and included in the council's processes, policies and documents but not limited to: -

- Development and maintenance of the Constitution;
- Economic Development Strategy;
- Stronger and Safer Communities Strategy;
- Health and Well Being Strategy;
- Council Plan;
- Medium Term Financial Strategy;
- Service Plans;
- Code of Corporate Governance;
- Code of Practice on Procurement;
- Reports to support key decisions;
- Performance management;
- Policy planning; and
- Financial management

**3.4 *To continue to ensure that risk management is a key and effective contributor to the Annual Governance Statement***

To achieve this: -

**3.4.1** Heads of Service are required to make statements as to the effectiveness or otherwise of their systems for identifying, monitoring and managing corporate and operational risks. This is confirmed by each Executive Director signing a Controls Assurance Statement each year.

**3.4.2** Confirmation is obtained from the Information Governance Group and the Audit & Standards Committee and internal Audit, who use CiPFA best practice that the council's risk management framework is judged to be sufficiently robust and that assurance statements properly reflect the risk environment and its management of those risks.

**3.4.3** The risk registers of the council will be a factor in internal audit planning.

**3.5 *To manage risk in accordance with best practice***

**3.5.1** The Council has a statutory responsibility to have in place arrangements for managing risks, as stated in the Accounts and Audit Regulations:

'A local government body shall ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk'.

Risk management is recognised as an important element of good governance. The CIPFA/SOLACE governance framework “Delivering Good Governance in Local Government” seeks to ensure that risk management is embedded into the culture of the authority with members and officers recognising that risk management is part of their jobs.

- 3.5.2** Good internal control ensures that the processes and procedures operate in an orderly and efficient manner, statutory and management requirements are complied with, assets are safeguarded and records complete and accurate.
- 3.5.3** Performance monitoring ensures the treatment of risk remains effective and the benefit of implementing risk control measures outweighs the costs of doing so. It is a continual review not only of the whole process but also of individual risks or projects and of the benefits gained from implementing risk control measures.
- 3.5.4** Data quality needs to ensure that the data used for performance monitoring and to inform decision making is accurate, reliable, timely and fit for purpose. If data is misleading, it could lead to flawed decision making, wasted resources, services that may not improve and the development of ill-founded policy.
- 3.5.5** The business continuity process is a form of risk management applied to the whole council and its ability to continue with its service provision in the event something occurring which potentially affects that ability. The council must ensure risk management processes are applied throughout the business continuity lifecycle.
- 3.5.6** The achievement of effective Health and Safety policies, processes and procedures has been committed to by the council with the development of policy and guidance specifically addressing the management of health and safety risks.
- 3.5.7** The council's risk appetite allows them to take risks to achieve the Corporate Priorities listed previously. It weights up the risk against opportunity benefit when undertaking an action or whether to deliver a specific project. It does not however have an appetite for extreme risk taking that could result in injury or loss of life to public, stakeholders, Member and officers.
- 3.5.8** Risk tolerance at the council is also important – it weighs up the risk and opportunity of what it is aiming to achieve, and will then decide whether to continue to operate as normal (tolerate) with extra mitigations in place (treat), to ask someone else to deliver (transfer) or to stop (terminate) the risk.

#### **4. Conclusion**

By embracing risk management, the council will make the most of the opportunities which it faces whilst operating within a risk-aware environment.

<b>Date of Approval:</b>	<b>July 2020</b>
<b>Approved by:</b>	<b>Audit &amp; Standards Committee</b>
<b>Next review due:</b>	<b>June 2020</b>
<b>Version:</b>	<b>11.1</b>
<b>Changes:</b>	<b>See below</b>
<b>Previous version:</b>	<b>10.2</b>

<b>Changes</b>	<b>19/06/2020</b>	<b>1. Date changes made</b>
		<b>2. Pg 8 – Point 3.5.7 and 3.5.8 inserted in respect of risk appetite and risk tolerance within the Council.</b>

**APPENDIX A**

<b>Group/Individual</b>	<b>Roles and Responsibility</b>
Leader of the Council	<ul style="list-style-type: none"> <li>Promotes the concept and practice of risk management across the organisation and amongst all elected Members</li> </ul>
Corporate and Service Improvement, People and Partnerships Portfolio Holder	<ul style="list-style-type: none"> <li>Member risk champion</li> <li>Promotes the concept and practice of risk management across the organisation and amongst all elected Members</li> <li>To receive quarterly updates on risk from the Business Improvement Manager for inclusion in Informal Cabinet meetings where appropriate</li> </ul>
Audit & Standards Committee	<ul style="list-style-type: none"> <li>Approves and agrees changes to the risk management policy and strategy.</li> <li>Monitors the council's risk management arrangements</li> <li>Monitors the council's high level risks as and when they occur</li> <li>Provides independent assurance that the risk management framework and associated control environment is being managed effectively and the statement of internal control correctly reflects the risk environment</li> </ul>
All elected Members	<ul style="list-style-type: none"> <li>Advocate good risk management processes</li> <li>Ensure that risks have been robustly assessed in reports presented to elected Members</li> </ul>
Chief Executive	<ul style="list-style-type: none"> <li>Ultimate responsibility for Corporate, strategic and operational risk management across the council</li> <li>Ensures that all strategies and policies contain risk management as an inherent part of their structure which helps drive the organisational change leading to excellence</li> <li>Ensures that risk management practices across the council reflect best practice.</li> <li>Ensures that risk management issues are fully considered in the decision making process.</li> <li>Drives excellence through the council with strong support and well managed risk taking.</li> <li>Ensures that the council manages its risks effectively through the development and monitoring of its risk management strategy.</li> </ul>
Executive Director (Resources & Support Services) - Chair of Information Governance Group (IGG)	<ul style="list-style-type: none"> <li>Ensures that Executive Management Team (EMT) are aware of any issues that have been escalated by the IGG and cannot be resolved and ensures that these are noted in minutes of EMT and actioned accordingly either by or on behalf of EMT</li> <li>Provides assurance to the Audit &amp; Standards Committee as appropriate that the risks are being</li> </ul>

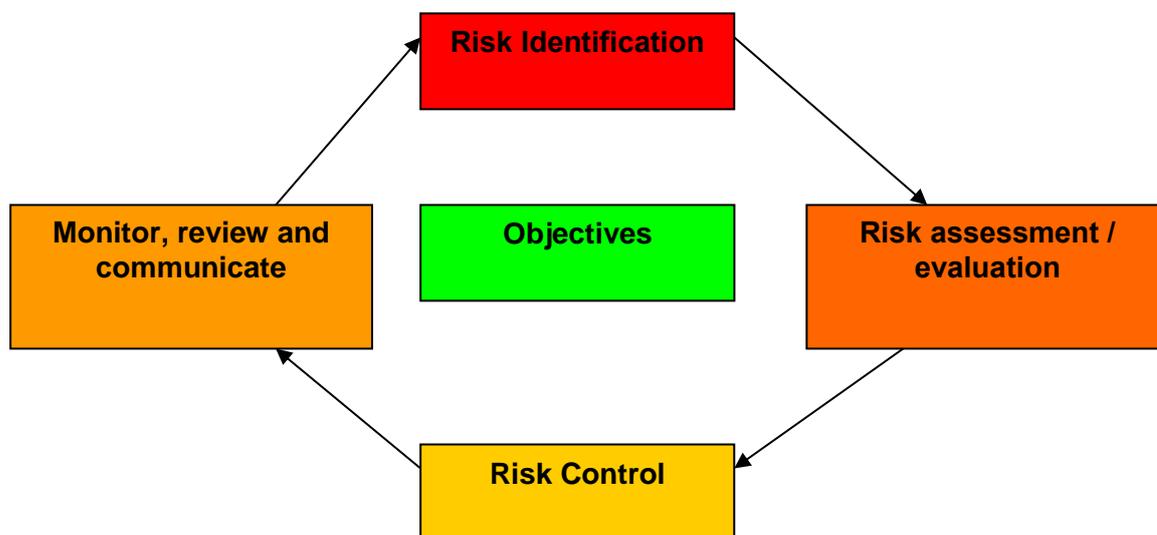
	<p>managed in accordance with the Risk Management Strategy</p>
<p>Executive Directors (EMT)</p>	<ul style="list-style-type: none"> <li>• Ensure that the risk management process is promoted, developed, managed and implemented effectively in their service areas.</li> <li>• Make decisions with their heads of service as to which service risks may warrant inclusion on their strategic risk register</li> <li>• Take ownership of strategic risks in their directorates and include them in the corporate risk register</li> <li>• Disseminate relevant information to service managers and employees</li> <li>• Escalate where necessary any issues that cannot be resolved to the Audit &amp; Standards Committee for advice on decisions</li> <li>• Establish and monitor a rolling programme of operational risk reviews</li> <li>• Promote good risk management practice throughout the council in conjunction with IGG</li> <li>• Ensuring that when Cabinet reports are written by their officers, that a relevant up to date risk assessment is provided where applicable, before being signed off for submission to Cabinet</li> <li>• Ensure that the appropriate portfolio holder is aware of detailed risk assessments when discussions begin on any proposal</li> </ul>
<p>Information Governance Group (IGG)</p>	<ul style="list-style-type: none"> <li>• Promote good risk management practice throughout the council in conjunction with EMT</li> <li>• Support the development of the risk management process, share experience on risk and aid/advise in the review of risk management reviews</li> <li>• To review the risk management policy and strategy where necessary</li> <li>• To identify trends and priorities across the council</li> <li>• Liaise with specialist risk groups in order to inform the strategic risk registers</li> <li>• Ensure processes are in place to report any new/perceived (key) risks or failures of existing control measures</li> <li>• Report on key performance results to EMT and Audit &amp; Standards Committee</li> <li>• To accept and make decisions on the course of action of any issues brought to them by DMT or the strategic risk champion</li> <li>• To escalate any issues to EMT brought to the group by DMT or the strategic risk champion, where a stronger decision is needed and cannot be resolved at this level</li> </ul>
<p>Directorate Management</p>	<ul style="list-style-type: none"> <li>• Ensure the completion of project risk registers where</li> </ul>

<p>Teams (DMTs)</p> <p>Wider Management Team (WMT)</p>	<p>appropriate (DMT)</p> <ul style="list-style-type: none"> <li>• Liaise with specialist risk groups in order to inform the any relevant strategic and operational risk profiles (e.g. Health &amp; Safety, legal, environmental) (DMT/WMT)</li> <li>• To accept and make decisions on any issues escalated to them by the risk champions (DMT)</li> <li>• To escalate, where necessary, any risks, overdue actions and reasons for such, overdue risk reviews to the IGG, where a higher decision is needed and cannot be resolved at this level (DMT)</li> <li>• Monitor the implementation of action plans and control assurance programmes (DMT/WMT)</li> <li>• Report key performance results (DMT)</li> <li>• Promote and share best practice across the directorate (DMT)</li> <li>• Monitor (and share with the director) situations where: -             <ul style="list-style-type: none"> <li>- risks are rising in the level of security;</li> <li>- circumstances where managers have been unable to implement the agreed mitigating actions;</li> <li>- risks could potentially have an impact on other services (DMT)</li> </ul> </li> <li>• To understand the escalation process of risks, action plans and issues (DMT/WMT)</li> <li>• To accept the notification of any incidents or near-misses reported to them by employees or risk champions, and record them appropriately (DMT)</li> </ul>
<p>Business Improvement Manager (BIM)</p> <p>Business Improvement Officer (Risk) (BIO)</p>	<ul style="list-style-type: none"> <li>• Develop and maintain a risk management process reflecting established best practice (BIM/BIO)</li> <li>• Lead on the annual review of the risk management policy, strategy and methodology, helping to ensure all aspects of the process remain robust. (BIM/BIO)</li> <li>• Ensure risks are reviewed and reported to management in line with the timelines in the risk management framework (BIM/BIO)</li> <li>• Collate and administer the corporate risk registers (BIO)</li> <li>• Prepare annual and quarterly risk management reports for the Audit &amp; Standards Committee (BIM/BIO)</li> <li>• Identify and communicate risk management issues to DMT/EMT for dissemination to services and assist in undertaking risk management activity through guidance, training or direct support. (BIM/BIO)</li> <li>• Promote risk management process throughout the council with both members and officers ensuring the process is embedded, effective and reflects best practice. (BIM/BIO)</li> </ul>

	<ul style="list-style-type: none"> <li>• Consult with Executive Directors concerning risk issues (BIO)</li> <li>• Act as a lead support officer for the IGG (BIO)</li> <li>• Manage the insurance fund and external insurance contract (BIO)</li> <li>• Liaise with external insurers to ensure that future premiums reflect all risk management activities being undertaken (BIO)</li> <li>• Administer the designated risk management system for managing and controlling risks (BIO)</li> <li>• Monitor and report to the IGG any issues that arise either from strategic risk reviews, overdue risk review reports, non-compliance with guidelines laid out in the risk management framework/approach by employees of the council, reported to them by the operational risk champions (BIM/BIO)</li> <li>• Identify any emerging risks and incorporate into the relevant risk registers (BIO)</li> <li>• Report to the IGG any further support required (BIO)</li> </ul>
Operational Risk Champions	<ul style="list-style-type: none"> <li>• Create and maintain operational risk registers in conjunction with heads of service.</li> <li>• Monitor and report to their respective DMTs any high risks and any issues that may arise in respect of overdue actions/overdue reviews and other problems they encounter for them to either deal with or to escalate to the IGG via the strategic risk champion.</li> <li>• Update the operational risk profiles on the designated risk management system.</li> <li>• Report to the BIO any further support required.</li> <li>• Ensure that incidents occurring or near-misses are reported to DMT.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Manage risks effectively in their jobs.</li> <li>• Raise any perceived/new risks for their service area with the appropriate line manager/business manager/head of service or risk champion for inclusion in the risk register.</li> <li>• Report any incidents or near-misses to their risk champion or head of service.</li> </ul>

**APPENDIX B**

**Risk Management Process**



Step	Title	Description
1	<b>Objectives</b>	<p>Start of the process – concerned with achievement of objectives – the clearer the objectives then more chance there is of achieving them.</p> <p>Objectives must be <u>SMART</u> – <u>S</u>pecific, <u>M</u>easurable, <u>A</u>greed, <u>R</u>ealistic, <u>T</u>ime-bound.</p> <p><i>Strategic:</i> the council has four priorities to which strategic risks are linked</p> <p><i>Operational:</i> each service has a number of business objectives contained within the Service Plan to which operational risks are linked</p> <p><i>Project:</i> each project document details the aims and objectives of the project</p> <p><i>Partnership:</i> the partnership agreement or formally agreed arrangements will details the aims and objectives of the partnership</p>
2	<b>Risk identification</b>	<p>Risk identification tries to identify the council’s exposure to uncertainty. You need to use your imagination, creativity, involvement and experience in this part of the process. Identify the risks that <i>may</i> stop you from meeting your objectives – it may be useful to use the list of risk categories as a guide: political; e-government; regulatory; financial/fraud; opportunities; reputation; management; assets; new partnerships/projects;</p>

		<p>customers/clients/citizens/children; environmental (a description of these can be found at appendix B(i).</p> <p>Strategic risks are those that</p> <ul style="list-style-type: none"> <li>• Could impact significantly on the achievement of the council’s four priorities</li> <li>• Are recorded in the executive director’s strategic risk assessment</li> <li>• Used to inform policy decisions</li> </ul> <p>Operational risks are those that</p> <ul style="list-style-type: none"> <li>• Impact significantly on the business objectives</li> <li>• Are recorded in the individual service risk registers</li> <li>• Are used to inform the Heads of Service</li> </ul> <p>Project risks are those that</p> <ul style="list-style-type: none"> <li>• Could impact significantly on the achievement of the project</li> <li>• Are recorded in the project risk register</li> <li>• Are used to inform both strategic and operational risk identification</li> </ul> <p>Partnership risks are those that</p> <ul style="list-style-type: none"> <li>• Could significantly impact on the achievement of the partnerships aims and objectives</li> <li>• Are recorded in the partnership risk registers</li> <li>• Are used to inform both strategic and operational risk identification</li> </ul> <p>There are three elements to any risk scenario</p> <ul style="list-style-type: none"> <li>• The <b>vulnerability</b> describes the situation (that may be perceived) that exposes the council to risk</li> <li>• The <b>trigger</b> is an event or change in situation that has a negative/positive result</li> <li>• The <b>consequences</b> are the events that follow should the risk occur</li> </ul>
3	<b>Risk assessment/ evaluation</b>	<p>Areas of potential risk need to be systematically and accurately assessed. The process requires an assessment of: -</p> <ul style="list-style-type: none"> <li>• The <i>impact</i> it would have if a risk event occurs</li> <li>• The <i>likelihood</i> of the risk event occurring</li> <li>• Possible resources needed and other implications</li> <li>• The priority of the risk for action in relation to the</li> </ul>

		<p>council’s risk tolerance level (amber and green areas on the table/matrix of risk ratings)</p> <p>Once threats and opportunities have been identified their potential “inherent” risk is evaluated – i.e. with no controls in place and using the matrix found in appendix B (ii).</p> <p>The risk is then re-evaluated taking into account the effectiveness of the controls in place. This result is the “residual” risk rating, or – put another way – the final risk rating.</p>
4	<b>Risk control</b>	<p>Some risks cannot be eliminated completely. Risk management is the process of taking action to minimise the likelihood of the risk occurring and/or to reduce the impact if it does happen.</p> <p>To control the possibility of the event occurring, you need to determine a course of action to try to reduce the risk. Such actions are likely to include the following: tolerate (live with the risk), treat (deal with the risk), transfer (move the risk onto another organisation) or terminate (stop doing whatever it is that is creating the risk) – those actions can be determined by the further action plans you put in place to control the risk further (if any). A description of the action categories can be found at appendix B(iii).</p> <p>Clear responsibility for managing the risk to an appropriate ‘risk owner’ must be assigned. The risk owner can then give responsibility of further action to designated officers that enable them to still influence the risk.</p> <p>The further actions must be <u>SMART</u> and must be developed appropriate to the risk identified.</p> <p>Any such actions are entered into the risk register and monitored.</p>
5	<b>Monitor, review and communicate</b>	<p>There <b>must</b> be monitoring and review of:</p> <ul style="list-style-type: none"> <li>• The risk itself</li> <li>• The implementation of the <i>agreed</i> control measures</li> <li>• The effectiveness (or otherwise) of any further actions</li> <li>• Were an incident to occur, it is recorded and used to inform a lessons-learnt report</li> </ul> <p>As part of the review cycle, risks and actions will be re-analysed and the cycle will continue as shown in the</p>

		<p>cycle at the top of this appendix.</p> <p>Review and communication of the risks, controls and actions must be reported in line with the timescales shown at appendix B(iv) and dealt with accordingly – i.e. escalated, received and agreed.</p>
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## APPENDIX B(i)

## Check List for Risk Identification – Categories (not exhaustive)

<b>Political</b>	Politicians and politics, including Member support/approval Electorate dissatisfaction, election changes and new political arrangements
<b>E-Government</b>	Using new or existing technology Lack of, or failure, of technology Lost or stolen data, Inaccurate or poor quality data, Disaster recovery, jacking or corruption of data, breach of security
<b>Regulatory/Legislative</b>	Central government policy, Legislation, internal policies and regulations, grant funding conditions, Data Protection, Freedom of Information, Race Equality and Diversity, Disability Discrimination, Human Rights, Employment Law, TUPE, Health & Safety, Potential for legal challenges, judicial reviews
<b>Financial/Fraud</b>	Budgetary pressures, loss of/reduction in income cost of living, interest rates, inflation etc Financial management arrangements, Investment decisions, Sustainable economic growth Affordability models and financial checks, Inadequate insurance cover External funding issues including loss of (or reduction in) funding System/procedure weaknesses that could lead to fraud
<b>Opportunities</b>	Opportunities to add value or improve customer experience/satisfaction Reduce social exclusion and disparities, Increase employment, education and training Improve health, reduce health inequalities and promote healthy lifestyles Opportunities to reduce waste and inefficiency and minimise the use of natural resources, increase Recycling, minimise air, soil, water, light, noise pollution, greenhouse gas emissions and energy use Reduce the need to travel and encourage the use of public transport, cycling and walking Encourage local sourcing of food, goods and materials, Conserve, restore and enhance biodiversity Reduce crime, fear of crime and anti-social behaviour
<b>Reputation</b>	Consultation and Communication, Negative publicity (local and national) from service or project failure, legal challenges
<b>Management</b>	Key personalities, loss of key staff, recruitment and retention, management arrangements/protocols Lack of/or inadequate management support, poor communication Capacity issues – enough, training issues, availability, sickness absence etc Emergency preparedness/Business continuity
<b>Assets</b>	Land, property, listed buildings and ancient monuments, equipment, information, cultural and recreational assets. Includes health and safety or business continuity, abuse of intellectual property, data protection

<p><b>New/ongoing Partnerships/ Projects/Contracts</b></p>	<p>New initiatives, new ways of working, new arrangements/relationships                  New policies/procedures                  Managing change</p>
<p><b>Customers/Citizens Clients/Children</b></p>	<p>Demographic change,                  Current and changing needs and expectations of customers                  Impact on customer of service or project failure, Consumer protection                  Crime and disorder, Health and Safety risks, Impacts on health inequalities                  Effects on physical and mental health and sense of social wellbeing, loss of independence and need for social care support</p>
<p><b>Environment</b></p>	<p>Policies/plans that significantly affect the environment need a sustainability impact appraisal                  Recycling, green issues, energy efficiency, land use and green belt issues, noise, contamination, pollution, increased waste or emissions, conservation and wildlife, habitats and species issues                  Impact of planning or transportation policies                  Climate change such as increased temperatures and flooding, Ecological footprint, flood plains                  Environmental assets such as landscape, countryside, historic environment and open space</p>

**IMPACT MEASURES AND CLASSIFICATION**

**APPENDIX B(ii)**

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <u>OR</u> permanent disability	Serious injury <u>OR</u> long-term absence from work (over 7 days)	Minor injury <u>OR</u> short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, Wider Management Team reporting
Service Delivery	Serious service failure directly affecting partners, stakeholders (more than 1 month)	Service failure but not directly affecting partners or stakeholders (upto 1 month)	Service disruption (between 1 day to 2 weeks)
Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and Executive Management Team	Wider Management Team

**Likelihood Measures**

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year <u>OR</u> is highly likely to occur in the next year	An incident has occurred in the past 2-5 years <u>OR</u> is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years <u>OR</u> is likely to occur in the next 6+ years

<b>L I K E L I H O O D</b>	High	7 Amber	8 Amber	9 Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
<b>IMPACT</b>				

**ACTION CATEGORIES**

**APPENDIX B(iii)**

Action	Description
Tolerate	This action is appropriate when you judge that the control measures in place are sufficient to keep the risk at a tolerable level and there is no added value to doing more.
Treat	Some risks will need additional treatment to reduce their likelihood and/or impact to an acceptable level. This response is most likely where there have been further actions identified that are SMART and the risk rating has been identified as high (red) or in some cases medium (amber).
Transfer	Some risks can be transferred to an insurer or some other party eg legal liability, property and vehicles etc. Some service delivery risks can be transferred to a contractor by way of a contract or written agreement. However some risks cannot be transferred eg reputational risks.
Terminate	Sometimes a risk can be so serious that there is no option but to terminate the activity that is generating the risk.

RISK MANAGEMENT REVIEWING & REPORTING, COMMUNICATING FRAMEWORK

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer Tolerate	<p>This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit &amp; Standards Committee if no resolution is found.</p>	<p>The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team (DMT) or Information Governance Group (IGG) (if called), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team (EMT).</p> <p>Progress to manage this risk must be reviewed by the relevant DMT (or WMT where appropriate) and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.</p>
Amber 8 Amber 6 Amber 5	Transfer Treat Tolerate	<p>Whilst this level of risk can be accepted, management must first consider all reasonable steps that could be taken to reduce this risk in terms of both likelihood and potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit &amp; Standards Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Information Governance Group (if called).</p> <p>If wider support is required to control this risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Amber 7 Amber 3	Transfer Treat Tolerate	<p>In view of the low likelihood of this risk occurring, this level of risk can be accepted, however management must first consider that all reasonable steps have been taken to reduce this risk in terms of the potential impact.</p> <p>Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit &amp; Standards Committee if no resolution found.</p>	<p>The appropriate Head of Service must be made aware of the final rating of this risk and they must consider the effectiveness of the suggested further action and make a decision as to whether the risk should be escalated to the Information Governance Group (if called).</p> <p>If wider support is required to control the risk, it must be escalated to the appropriate Executive Director. Progress to manage this risk must be reviewed quarterly by the Head of Service and risk owner. The outcome of the review will be minuted in appropriate minutes or 1:1 meetings and a comment recorded in the relevant risk register.</p>
Green	Transfer Treat Tolerate	<p>Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact.</p>	<p>The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service.</p>

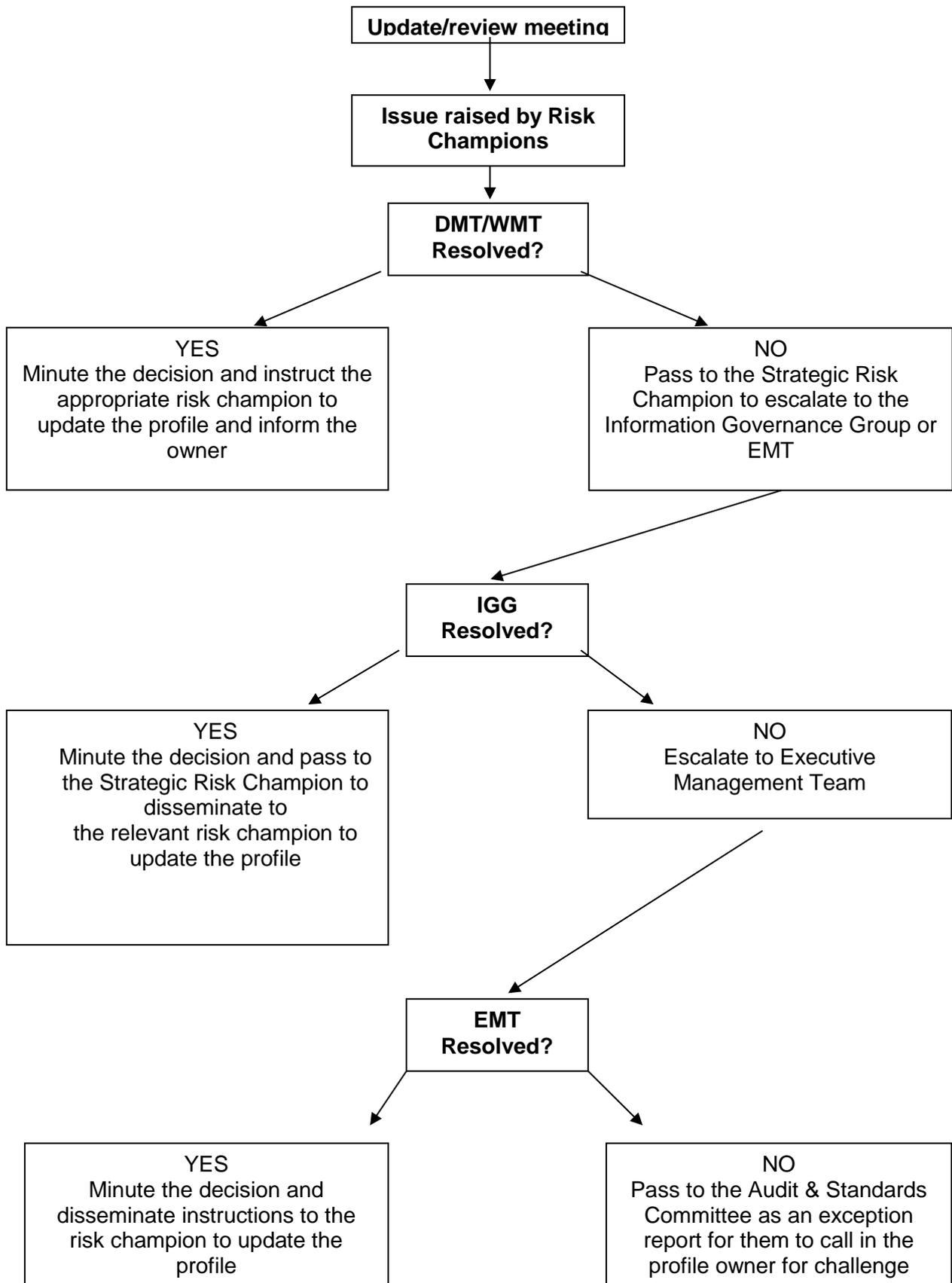
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Escalation of issues to go to DMT (via risk champion) or WMT (where appropriate), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.

If wider support is required to control this risk, it must be escalated to the Departmental Management Team.

Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.

**ESCALATION PROCESS**





NEWCASTLE·UNDER·LYME  
BOROUGH COUNCIL

**A QUICK GUIDE TO THE COUNCIL'S**  
**RISK MANAGEMENT PROCESS**

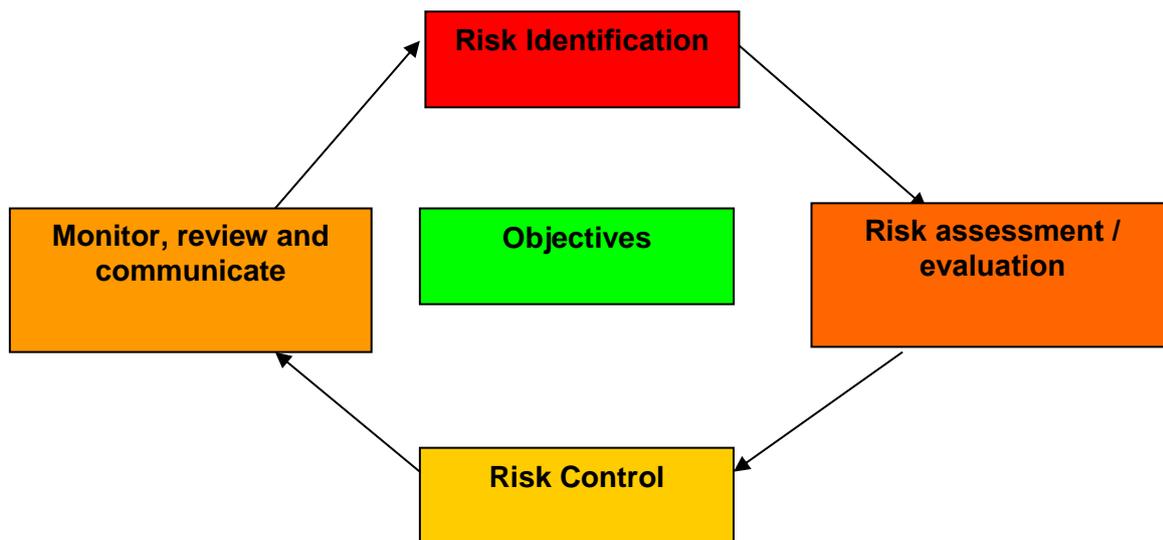
Classification: NULBC **UNCLASSIFIED**

<b>Review date:</b>	July 2020
<b>Version:</b>	11.1
<b>Reviewed by:</b>	Audit & Standards Committee
<b>Next review date:</b>	June 2021
<b>Changes:</b>	None

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Page No.

Risk Management Process	3
Impact & Likelihood Measures	6
Reviewing, Reporting & Communicating Framework	7
Escalation Process	8



Objectives

In developing our approach to risk management, a key part at all stages of the process is to identify SMART objectives - in other words the objectives need to be Specific, Measurable, Achievable, Realistic and Time-bound. In other words, they need to be structured in such a way that they can be assessed as to whether they have worked properly or not. This section takes into account all the objectives set out above and provides more information on each.

Risk identification

<b>What could go wrong?</b>	Use available documents e.g. Council Plan, Service Plan, appraisals etc to establish what is planned and start to identify what risks could occur as a result of these plans
<b>Ensure risks are structured – what are the key elements to each risk?</b>	E.g. if we don't review and manage our budgets, is there a risk we could overspend? What things are we looking at in terms of a risk like this?
<b>What type of risk is it?</b>	Strategic, Operational, Project
<b>What category is it?</b>	e.g. political, e-Government/ICT, regulatory, financial/fraud, opportunities, reputation, management, assets, new partnership/project, customer/client/citizen Environmental (see Appendix B(i))

Risk assessment/Evaluation

In assessing and evaluating the risks identified, you need to ask a number of fundamental questions. From this, you will get a risk 'score' (or rating). This 'score'/rating will determine your future actions.

LIKELIHOOD  How likely is it to happen?  Based on the answers above, plot the rating on the table opposite  The bold line on the matrix is the limit of the council's risk appetite, i.e. how much risk it is willing to take before intervention begins. Control of the risks should effectively move the final risk ratings to the amber and green sections of the table (see Appendix B (ii))	HIGH	Amber 7	Amber 8	<b>RED 9</b>
	MEDIUM	Green 4	Amber 5	Amber 6
	LOW	Green 1	Green 2	Amber 3
			Low	Medium
<b>IMPACT</b>				

Risk Control

Risk control is the name given to the process of working towards mitigating the identified risks. This is done by identifying possible actions which may reduce either the impact or the likelihood of the risk and will therefore mean that the final rating is contained within the council's risk appetite (the green and amber sections of the table above). In undertaking risk control a number of questions can be asked as part of the risk management process.

Who owns the risk?  What could/should be done to reduce the impact and/or likelihood of the risk?  What else do you need to do to control the risk?  (see Appendix B(iii))	Priority	Review Period (months)	Action			
			Tolerate	Treat	Transfer	Terminate
	High	1		√	√	√
	Medium	3 (1/4ly)	√	√	√	√
	Low	6 (half yearly)	√	√	√	√

Monitor, Review and Communicate

Key questions to consider as part of this process: -

- Are the controls you have put in place effective?
- Has the risk changed either as a result of what you have done or other factors?
- Does it need escalating, having gone through all the checks you need to make?
- Are new risks evolving as a result of the existing risk or due to other factors?

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- Who do you need to inform – internally and externally to the council?

Key to what prompts what kind of action: -

<b>Red</b>	High risk, prompt action, contingency plan, monitor at least monthly
<b>Amber</b>	Medium Risk, contingency plan, monitor at least quarterly
<b>Green</b>	Low risk, monitor at least half annually

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**RISK ASSESSMENT IMPACT MEASURES AND CLASSIFICATION**

	High (red)	Medium (amber)	Low (green)
Health & Safety	Death, abuse, life threatening <b>OR</b> permanent disability	Serious injury <b>OR</b> long-term absence from work (over 7 days)	Minor injury <b>OR</b> short-term absence from work (less than 7 days)
Cost	More than £300k	Between £50-£300k	Between £20-£50k
Reputation	National media attention, potential public interest report, third party intervention	Sustained local media attention, Executive Director reporting, Member interest	Short term local media attention, DMT/WMT reporting (depending on the issue)
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Project Delivery	Project failure impacting on council's priorities and performance	Project failure impacting on Directorate's performance and priorities	Project delay impacting on service performance and priorities
Legal implications	Statutory body, partner or enforcement agency	Member and/or EMT	DMT/WMT (where appropriate)

**ALWAYS TAKE THE WORST CASE SCENARIO AS YOUR IMPACT LEVEL**

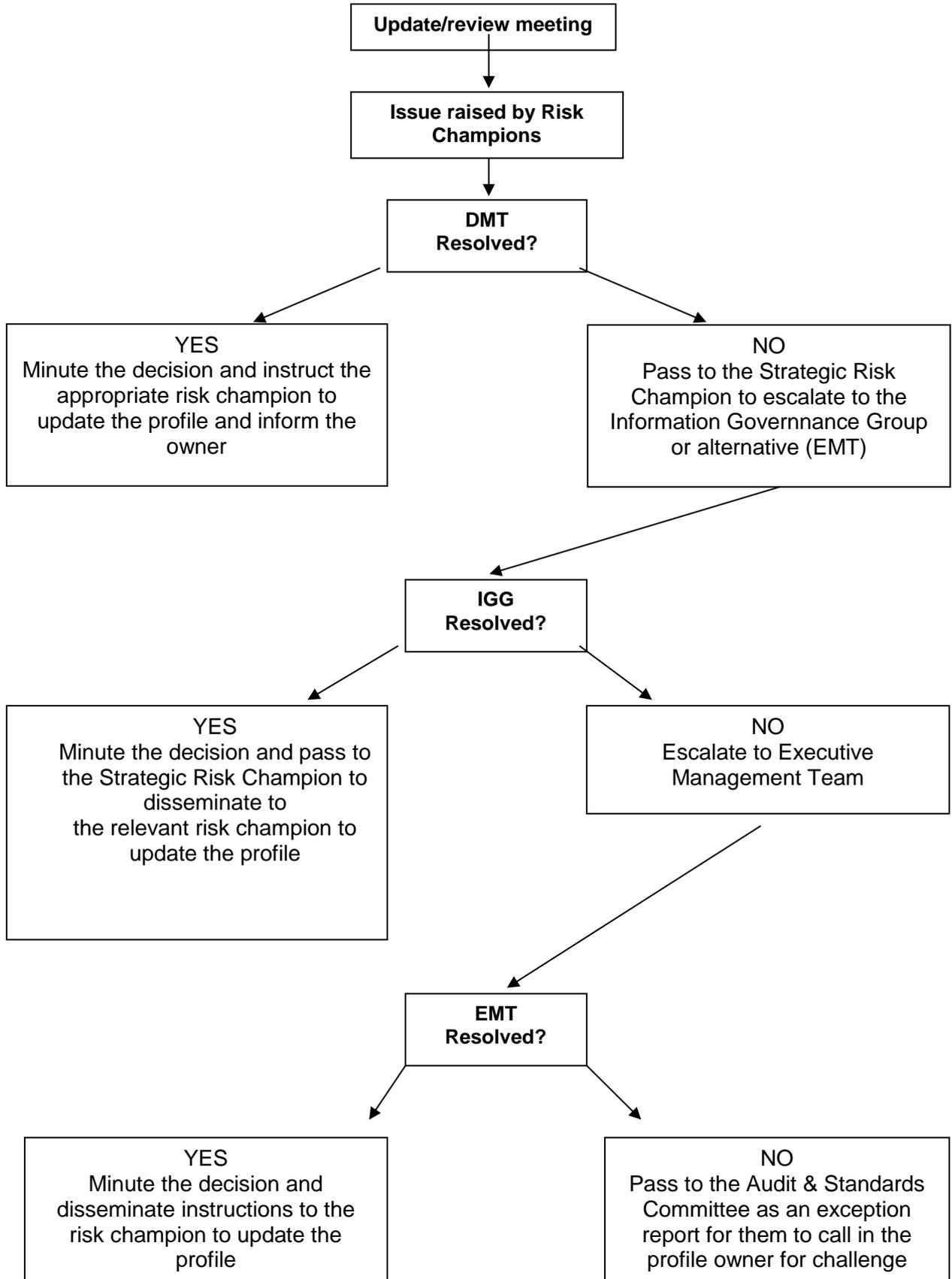
**Likelihood Measures**

	High (red)	Medium (amber)	Low (green)
Timescale	Highly likely to occur (90%+ chance)	Likely to happen (50-89% chance)	Possible (1-49% chance)
	An incident has occurred in the past year <b>OR</b> is highly likely to occur in the next year	An incident has occurred in the past 2-5 years <b>OR</b> is likely to occur in the next 2-5 years	An incident has occurred in the past 6+ years <b>OR</b> is likely to occur in the next 6+ years

<b>L I K E L I H O O D</b>	High	7 Amber	8 Amber	9 Red
	Medium	4 Green	5 Amber	6 Amber
	Low	1 Green	2 Green	3 Amber
		Low	Medium	High
<b>IMPACT</b>				

Classification: NULBC UNCLASSIFIED  
**RISK MANAGEMENT REVIEWING, REPORTING & COMMUNICATING FRAMEWORK**

Final Risk Rating	Risk Action	Management Action required	Review/Reporting required
Red 9	Treat Terminate Transfer Tolerate	This level of risk is not acceptable and immediate action is required to assess how the risk can be reduced to an acceptable level. Where the impact might result in death, abuse, life threatening <u>OR</u> permanent disability, wherever possible the activity should cease until the risk is effectively managed.  Escalation of issues to go to DMT (via risk champion) IGG (via strategic risk champion) EMT and Audit & Standards Committee if no resolution found.	The appropriate Executive Director must be made aware immediately and the risk must be escalated to the appropriate group – the Departmental Management Team or Information Governance Group (if called), where the effectiveness of the suggested further action, or a decision for the way forward, must be considered. If the risk could affect the whole council or, if wider support is required to manage it, the risk must be escalated to the Executive Management Team.  Progress to manage this risk must be reviewed by the DMT and risk owner on a monthly basis and it is expected that the outcome of such a review will be minuted in the appropriate minutes and a comment recorded in the relevant risk register.
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Green 4 2 1	Transfer Treat Tolerate	Whilst this level of risk is generally acceptable, management should consider whether this risk could be reduced in terms of either likelihood or impact.  Escalation of issues to go to DMT (via risk champion), IGG (via strategic risk champion), EMT and Audit & Standards Committee if no resolution found.	The appropriate Business Manager must be made aware of the final rating of this risk and they must consider the effectiveness of the suggest further action (if applicable) and make a decision as to whether the risk should be escalated to the appropriate Head of Service.  If wider support is required to control this risk, it must be escalated to the Departmental Management Team.  Progress to manage this risk must be reviewed at least annually (or sooner if circumstances change significantly) and a comment recorded in the relevant risk register.



## NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

### EXECUTIVE MANAGEMENT TEAM'S REPORT TO

Audit & Standards Committee  
27 July 2020

**Report Title:** Counter Fraud Arrangements

**Submitted by:** Executive Director of Resources and Support Services

**Portfolios:** Finance and Efficiency

**Ward(s) affected:** All

#### **Purpose of the Report**

The council is committed to providing an effective Counter Fraud function which is supported by an effective policy framework. Theft, fraud, corruption and bribery are all criminal offences; the council is committed to the highest standards of integrity and will not tolerate them in any form. By having an anti-fraud and anti-corruption framework in place this demonstrates our zero tolerance to any form of fraudulent activity, it is important that the existing framework is reviewed and updated to take into account new legislation, procedures and best practice.

#### **Recommendation**

**That the following policies which support the Counter Fraud function be noted;**

- 1. Anti-Fraud and Anti-Corruption Framework,**
- 2. Fraud Response Plan**
- 3. Whistleblowing Policy**
- 4. Anti-Money Laundering Policy**

#### **Reasons**

These policies are regularly reviewed to ensure that they remain relevant for the authority. There have been minor changes to reflect changes to job titles and the appointment of the Monitoring Officer.

### **1. Background**

1.1 Fraud and corruption present risks to all sectors of the UK Economy whether they are the public, private or third sectors. The impact of both fraud and corruption on organisations can have a significant effect through the disruption of services or undermining the achievement of the organisations objectives. Official estimates show the value lost to fraud to be significant. To assist organisations in identifying the risks of Fraud, CIPFA has produced a Code of Practice on Managing the Risk of Fraud and Corruption ("the Code") which has five principles;

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy, and
- Take action in response to fraud and corruption

1.2 The policies that this Council has in place demonstrate our commitment to the prevention and detection of Fraud and Corruption and to ensure the highest possible standards of openness, probity and accountability. We encourage people with serious concerns about

any aspect of the Council's work to come forward and voice those concerns. The Whistleblowing Policy is intended to encourage and enable people with concerns about a potential fraud or corruption, in any aspect of the Council's work, to raise these with the Council rather than overlooking a problem or raising them with external bodies first.

- 1.3 The Anti-Fraud and Anti-Corruption Framework, the Whistleblowing Policy, Fraud Response Plan, and the Anti-Money Laundering Policy are approved annually as part of the Council's Constitution.
- 1.4 The prevention of fraud and protection of the public purse is everyone's business and it is important that all staff know how to recognise a fraud, how to prevent it and more importantly what to do if they suspect they have come across a fraud.
- 1.5 The Anti-Fraud and Anti-Corruption Framework, Fraud Response Plan, Whistleblowing Policy and Anti-Money Laundering Policy are a range of policies in place that are designed to limit as far as possible the opportunities to commit fraudulent acts, enable such acts to be detected at an early stage and then deal with any subsequent investigations in a prompt, thorough and professional manner.

## 2. **Issues**

- 2.1 The Council is committed to protecting public funds and ensuring that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. These documents demonstrate that it proactively shows a commitment to deterring fraud and corruption and this is actively promoted throughout the organisation. These policies are reviewed every two years with the proviso that should there be the introduction of any new legislation or best practice guidance that they are then reviewed sooner to take account of this. There have been changes to the policies that were brought before the committee last year, these include an update to reflect changes in job titles and money laundering regulation changes.
- 2.2 In order to demonstrate this commitment the Council has an annual subscription with Protect (formally known as Public Concern at Work) an independent legal charity with over 20 years' experience of running a confidential helpline for employees and members. Protect has given practical, confidential advice nationally to around 40,000 people. Their approach is that any concerns that an employee or member has can be raised openly and that the organisation then has an opportunity to investigate and address the concern.
- 2.3 The Council continues to work with Stoke-on-Trent City Council under the three year partnership agreement for Counter Fraud Services. The Counter Fraud Service covers all types of non-benefit and corporate fraud. The service offers a full detection and investigation service as well as work to prevent fraud and share the learning coming out of its activities both within the partnership and more broadly. The Fraud Hub will see the introduction of a case management and referral system that will enable detailed reporting which will also include the facility to provide statistical analysis and details of costs recovered etc.

## 3. **Proposal**

- 3.1 To review and adopt these documents ensures and demonstrates that the Council will act with integrity and responsibility in the management and spending of public money.
- 3.2 Not to adopt these policies would leave the Council open to criticism of not being committed to maintaining high standards in the avoidance and detection of fraud and corruption.

4. **Legal and Statutory Implications**

4.1 This report raises no new legal or statutory implications.

5. **Equality Impact Assessment**

5.1 There are no differential equality impact issues identified from the proposal.

6. **Financial and Resource Implications**

6.1 The cost of an annual subscription to Protect is £772 per annum plus twenty pence per employee, which based on 500 employees makes the total subscription, cost £877.

7. **Major Risks**

7.1 The risk of not having these strategies in place would mean that staff have no guidance on what to do in the event that they may suspect that fraud or corruption is being committed. This in turn may hamper any investigation required to yield a satisfactory conclusion. The existence of these policies mean that staff are informed and given guidance on what actions they should take if they suspect that a fraud is being committed.

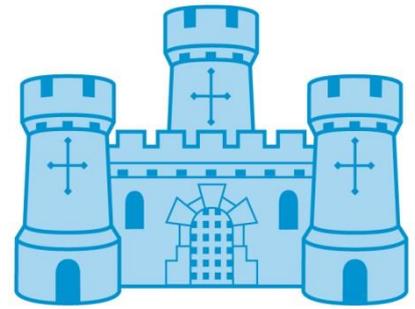
8. **List of Appendices**

- 8.1 Anti-Fraud and Anti-Corruption Framework,
- 8.2 Fraud Response Plan
- 8.3 Whistleblowing Policy
- 8.4 Anti-Money Laundering Policy
- 8.5 Anti-Money Laundering Staff Guidance

9. **Background Papers**

9.1 CIPFA – Managing the Risk of Fraud and Corruption

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**NEWCASTLE  
UNDER LYME**  
**BOROUGH COUNCIL**

# Anti-Fraud & Anti-Corruption Framework 2020/21

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## Introduction

Theft, fraud, corruption and bribery are criminal offences. Newcastle Borough Council is committed to protect public funds and ensure that all Council activities are carried out in accordance with the principles of openness, honesty and integrity. The Council has a zero tolerance of such offences and offenders.

In carrying out its functions and responsibilities the Council is fully committed to deterring theft, fraud, corruption and bribery whether it is attempted on or from within the Council; and is committed to an effective anti-fraud and corruption strategy designed to:-

- limit, as far as possible, the opportunities to commit fraudulent acts – **prevention**;
- enable any such acts to be **detected** at an early stage; and
- deal with any subsequent **investigations** in a prompt, thorough and professional manner.

## Our Policy

Newcastle Borough Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor will it accept bribes or improper inducements, or allow employees or elected members to do so.

Using a third party as a conduit to channel bribes to others is also a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery, nor does it wish to be associated with any organisation that does or has done so. Specifically, this extends to our agents, suppliers, contractors and partner organisations, whether such criminal conduct is associated with business on the Council's behalf or not.

Where there is evidence of theft, fraud, corruption and bribery, the Council will investigate the matter promptly, and will take all appropriate actions to deal with the perpetrators.

This includes, but is not confined to, taking disciplinary action against employees and elected members, and pursuing criminal prosecution on all possible occasions. The Council will not be deterred by threats of adverse publicity or to persons or property, and will publicise cases of successful legal action against perpetrators.

The Council and all elected members and employees will comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates.

All employees and elected members must follow the policy, and do everything they can to support and promote it. In doing so, they may find the Nolan Principles a valuable aid – see Appendix A.

Different rules and procedures apply to benefits fraud. All cases of benefit fraud are now investigated by the Department for Work and Pensions (DWP) as part of the Single Fraud Investigation Service (SFIS).

There are also specific provisions for money laundering, because of the legal requirement to report this to the National Crime Agency in a closely-defined way.

## Our Strategy

The Council's strategy for implementing its policy consists of five elements:

### **1) Prevention**

Rules and procedures that make it hard for wrongdoing to take place;

An open, honest culture (explicitly based on the Nolan Principles: see Appendix A) which encourages good behaviours and discourages bad practice.

### **2) Detection**

Systems that include strong internal checks;

Staff who are alert to the possibility of wrongdoing, and know how to respond to it to minimise losses and maximise the chance of effective action against the perpetrators;

A whistleblowing procedure that allows employees and others to report concerns about the Council.

### **3) Investigation**

A fraud response plan that sets out how the Council will address any suspected fraud professionally, fairly, efficiently and effectively;

### **4) Recovery**

The Council will recover losses from perpetrators where possible, and inform insurers under any relevant policy.

### **5) Retribution**

Procedures to act promptly and effectively to deal with all perpetrators

## Expected Behaviour

Members and employees must lead by example, acting with integrity at all times and following all legal requirements, rules, procedures and good practice. The Nolan Principles (Appendix A) provide an excellent structure for all actions.

Members and employees must report suspected fraud, corruption or other irregularity **immediately** to Internal Audit. The only exception is benefits fraud, which will be referred to the DWP and SFIS.

The Council expects all individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act with integrity in all dealings with the Council. It will consider what actions are appropriate where they fail to do so, including cancelling contracts.

## Culture

All managers must promote an environment in which employees know and understand that dishonest acts will be detected and investigated. They must therefore:

- Always behave in line with the Nolan Principles;
- Participate in in-house training covering fraud, fraud detection and fraud prevention;
- Ensure staff understand that internal controls are designed and intended to prevent and detect fraud;
- Encourage staff to report suspected theft, fraud, corruption or money laundering directly to those responsible for investigation;
- Provide employees with an environment in which they can report suspicions of wrongdoing without fear of retribution;

The Internal Audit and Human Resources Sections will provide support to achieve this.

## Identifying Problems

The essence of many theft, fraud, corruption and bribery issues is that no-one recognises them happening. And it can be difficult to be vigilant and observant while being a good and supportive colleague. It is essential that the Council has an open culture whereby employees at all levels are encouraged to challenge or query why things are being done a particular way.

There are a number of common fraud indicators (Appendix B). None of them prove wrongdoing – though all are cause for managerial concern. An employee who never takes annual leave may be concealing fraud: but, equally, they may be struggling with parts of their job, and desperately need support.

Therefore, managers finding any of these behaviours should be concerned, and should probe the issues – but they should not assume that fraud or corruption are involved. There may simply be problems to work on and resolve.

## Reporting Suspicions

If any employee suspects that theft, fraud, corruption or bribery are happening within the Council, or in any activity where the Council has a leading role or responsibility, they should report their suspicions, either to their line manager or through the Council's Whistleblowing Procedure.

Managers should report all such cases to the Audit Manager, and accept advice on the steps to take over the suspicions in accordance with the fraud response plan.

## Investigations

All investigations will be carried out in accordance with the Fraud Response Plan, unless they relate to Benefits fraud or money laundering, in which case these will be dealt with in accordance the specific guidance that relates specifically to these areas of work.

## Implementing this Framework

The Chief Executive is ultimately responsible for preventing and detecting theft, fraud, and corruption.

The Chief Executive, Executive Directors, Heads of Service and Business Managers must ensure that all staff follow this strategy, supported by the Council's Internal Audit and Human Resources functions.

All managers are responsible for preventing and detecting fraud. They must, with support from Internal Audit and Human Resources, ensure that they operate effective mechanisms in their area of control to:

- Prevent theft, fraud and corruption;
- Promote employee awareness (All staff have a responsibility to prevent, detect and report on any fraud or suspected fraud);
- Assess the risk of fraud; and
- Take prompt action in line with the Fraud Response Plan when they suspect or are alerted to possible theft, fraud or corruption

There are a number of policies already in place within the Council for preventing, detecting, managing and reporting theft, fraud and corrupt conduct; these include but are not limited to:

- Codes of Conduct for employees and members
- Contract Procedures
- Financial Regulations
- Registers of Interests, Gifts and Hospitality
- Disciplinary Rules and Procedures
- The Whistleblowing Policy
- Fraud Response Plan
- Procurement Strategy
- Risk Management Strategy
- Recruitment procedures (pre-employment vetting, references, etc)
- Anti-Money Laundering Policy
- Information Security Management Policies

Copies of all the policies listed above are available on the Council's intranet Connexus under the A-Z of strategies and policies.

## Partnership Agreement for Counter Fraud Services

Newcastle Borough Council will work in partnership with Stoke-on-Trent City Council to provide a counter fraud service which will cover various types of fraud including non-benefit and corporate fraud.

Non-benefit fraud includes all non-welfare (benefit) frauds which are committed against the Council by external persons or bodies and this type of fraud includes: tenancy fraud, procurement fraud, council tax fraud, business rates fraud, grant fraud etc.

Corporate fraud is defined as frauds committed by those within the Council such as employees and members and this type of fraud includes: payroll fraud, expenses fraud, procurement fraud etc.

The agreement will run for three years commencing 1<sup>st</sup> April 2019.

## **Review and Development of this Framework**

It is important to keep this policy up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).

## Appendix A – Nolan Principles

### The seven principles of public life;

#### **Selflessness**

Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

#### **Integrity**

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.

#### **Objectivity**

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

#### **Accountability**

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

#### **Openness**

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

#### **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

#### **Leadership**

Holders of public office should promote and support these principles by leadership and example.

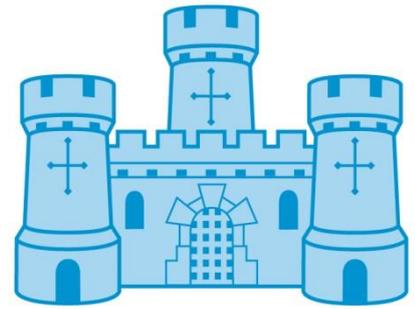
*These principles apply to all aspects of public life. The Nolan Committee set them out for the benefit of all who serve the public in any way.*

## Appendix B – Possible Indicators of Fraud

Listed below are a number of common fraud indicators. None of them prove wrongdoing – though all are cause for concern;

- unusual employee behaviour (e.g. a supervisor who opens all incoming mail, refusal to comply with normal rules and practices, fails to take leave, managers by-passing subordinates, subordinates bypassing managers, living beyond means, regular long hours working, job dissatisfaction/ unhappy employee, secretiveness or defensiveness);
- Key documents missing (e.g. invoices, contracts);
- Inadequate or no segregation of duties;
- Absence of controls and audit trails;
- Inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation);
- Excessive variations to budgets or contracts;
- Bank and ledger reconciliations are not maintained or cannot be Balanced;
- Excessive movements of cash or transactions between accounts;
- Numerous adjustments or exceptions;
- Duplicate payments or large payments to individuals;
- Unauthorised changes to systems or work practices;
- Lack of rotation of duties;
- Policies not being followed;
- Post Office boxes as shipping addresses;
- Lowest tenders or quotes passed over with minimal explanation recorded,
- Splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval;
- Vague specifications;
- Excessive hours worked by key staff; and
- Lack of common sense controls such as changing passwords frequently, requiring two signatures on cheques or restricting access to sensitive areas.

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## Fraud Response Plan 2020/21

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## 1. Introduction

- 1.1 The Fraud Response Plan defines the way that Newcastle Borough Council applies its various policies and procedures to suspected theft, fraud and corruption.
- 1.2 The aim of this Plan is to provide a toolkit for dealing with problems, and rapid access to expert advice. This fraud response plan guides managers on how to react to suspicions of fraud, theft, corruption and bribery. It gives an outline of how investigations will be progressed and the possible role of a manager in an investigation.
- 1.3 Any suspected frauds at Newcastle Borough Council should be reported the Stoke Fraud Hub at: <https://www.stoke.gov.uk/fraud> or by email to: [fraud@stoke.gov.uk](mailto:fraud@stoke.gov.uk) or to the hotline at: 01782 236800.

## 2. Purpose of the Fraud Response Plan

- 2.1 The Fraud Response Plan is designed to ensure timely and effective action in the event of suspected fraud to:
  - minimise fraud by taking prompt action;
  - prevent further losses where fraud has occurred;
  - manage consequences for other staff, including sudden changes in workload, altered duties and adverse staff reactions to investigation work;
  - maximise recovery of losses;
  - identify the perpetrators and maximise the success of any disciplinary and legal action taken;
  - ensure the accuracy and integrity of evidence for successful disciplinary and court action;
  - manage any adverse publicity for the organisation;
  - maximise positive publicity when frauds are discovered and dealt with effectively;
  - identify lessons to be learned to improve fraud management;
  - ensure a fair and consistent response to suspected frauds;
  - deter others from fraud that they may be contemplating.

## 3. Dealing with a suspected fraud

- 3.1 Senior managers have a primary responsibility for preventing, detecting and investigating. However, it is always vital that evidence is preserved and suspicions are not aroused, and the first action must always be to contact the Stoke Fraud Hub for advice and support. This will allow the fraud team to:
  - provide initial advice on investigation process and procedure;
  - collate the information with all other known issues, which may suggest specific approaches to investigation;
  - jointly with Human Resources, decide on actions needed in relation to any employee potentially involved (such as suspension to protect evidence), and agree these with the Head of Service;
  - log the event on the Fraud Case Management System
  - report appropriately to Chief Executive, Section 151 Officer, the Monitoring Officer and Executive Management Team.

3.2 The only exception to this is where the matter relates to Money Laundering as this should be dealt with in accordance with the Council's Anti-Money Laundering Policy and Staff Guidance. In addition, if the matter relates to benefits, these cases will be reported to the Department for Work and Pensions (DWP) who will investigate the matter under the Single Fraud Investigation Service (SFIS).

#### Initial Enquiries

3.3 Where it is appropriate to do so, the fraud team may advise the manager to make discreet initial enquiries promptly to determine if there actually does appear to be an irregularity, provided that;

- they can do so **without alerting the perpetrator** to the investigation; and
- they have sufficient experience to do so.

3.4 During this initial enquiry the manager should:

- determine the factors that gave rise to the suspicion;
- examine the factors to determine whether a genuine mistake has been made or whether an irregularity has occurred;
- make a written record of the alleged irregularity (access to this document should be restricted e.g. not held in an 'open area' of the network);
- secure any relevant documentation/records (if this can be done without alerting the perpetrator).

The manager **should not** interview staff at this stage.

#### Scope of the Investigation

3.5 The manager, Human Resources and the Stoke Fraud Hub team will agree the way forward, in consultation with the Section 151 Officer, the Monitoring Officer and the Head of Service. They will consider whether to involve other agencies at this point (e.g. Police, HM Revenue & Customs, External Audit, the Department for Work and Pensions, the National Anti-Fraud Network, the National Crime Agency, and other councils) and initially contact will be through the Stoke Fraud Hub.

3.6 The Stoke Fraud Hub team will usually conduct all fraud investigations. However, where there is confidence that an investigation can be undertaken by the service itself (i.e. staff have the experience and ability to complete the investigation successfully, and are clearly not involved in the irregularity) then the fraud team will provide advice and guidance to the nominated Investigating Officer.

3.7 The Stoke Fraud Hub team will consult the relevant people to determine the next steps. The exact format is fluid – it is sometimes appropriate to convene a meeting, and on other occasions it will be sensible to hold a series of one-to-one meetings or 'phone calls.

As a minimum, consultations will involve:

- the manager;
- the Section 151 Officer;
- the Head of Human Resources;
- the Head of Service

Additionally, they may consult:

- the police;
- the Chief Executive;
- the Head of Communications;
- External Audit;
- any other relevant person or body

The consultations will include specific consideration of whether it is necessary to suspend one or more employees to protect evidence, colleagues or assets.

### Conducting the investigation

3.8 Whilst conducting the investigation, the Stoke Fraud Hub will ensure:-

- the investigation is completed promptly;
- compliance with legislation on interviewing (Police and Criminal Evidence Act, PACE) and surveillance (Regulation of Investigatory Powers Act, RIPA);
- all evidence is recorded, ensuring that it is sound and adequately supported (see further guidance below);
- written records of all fact-finding meetings are retained;
- email correspondence relating to the investigation is discreet and an agreed 'case name' will be used rather than real names or locations. All sensitive attachments should be password protected. Emails will be protectively marked \*Protect – Personal\*;
- All evidence is held and stored securely, with appropriate restriction to access (both manual and electronic documentation) (see further guidance below);
- confidentiality and discretion is maintained throughout, information will only be shared on a "need to know" basis;
- where appropriate, contact other enforcement agencies e.g. Police, HM Revenue & Customs. This should be always enacted via Internal Audit as they have established lines of communication and referral protocols;
- investigators are aware that they must not accept any offer of repayment of money or resignation at any stage, as this could prejudice the investigation. Any such offers should, however, be recorded in interview notes, and passed on to the Head of Service for consideration (in conjunction with the HR Manager).

3.9 The Council has the right to suspend any employee involved pending the outcome of an investigation. Suspension does not imply guilt but suspension can prevent the removal or destruction of vital evidence. When suspects are not suspended, supervision will usually need to be increased. Advice will always be sought from Human Resources on suspensions and any subsequent disciplinary action.

3.10 The key objectives during an investigation are to:

- secure evidence of the fraud to allow the Council to pursue successful disciplinary action and prosecution;
- prevent further losses;
- assess the likely extent of losses and report these to the Council's Risk and Insurance Officer at the earliest opportunity;
- recover funds where possible.

3.11 Where managers are carrying out their own investigation they must report the results of their initial enquiries to the Stoke Fraud Hub, who may carry out further investigations if the case is more complex than it first appeared.

## 4. Evidence

4.1 It is essential that evidence is preserved and retained securely and the following steps should be followed:

- remove all relevant original documents and store them securely. Record the date of removal and where they are stored. Replace documents needed for everyday use (e.g. till rolls and receipt books) with new ones to prevent unnecessary disruption to services. **Original documents and certified copies** provide the best evidence;
- for computer systems, consider access rights, and change or suspend access to preserve evidence. (See below for more on ICT evidence.);
- in all cases, take care not to compromise evidence by doing or allowing anything that may deface or alter the evidence, particularly in ways that may alter the evidential value (such as punching filing holes that chop out a date or signature);
- you must also take care that evidence is always secure, so that there is no opportunity for damage or changes. This is known as preserving the chain of evidence. If there is a break, such as leaving a document out on a desk unattended, it could compromise a prosecution;
- where you have to use a copy, endorse it as a copy and, if possible, certify it (i.e. sign and date on the back) as a true copy of the original, preferably by the person who took the copy from the original source document. Use of copies is increasingly common with document management systems, where documents are scanned and then destroyed;
- minimise handling of documents to protect forensic evidence, such as fingerprints. Put them in clear plastic wallets to protect them, and to avoid the need to punch filing holes in them. This avoids the possibility of damaging key pieces of evidence;
- **Information held on IT equipment** provides evidence of the records at a particular time and may demonstrate that a fraud has been committed. It is important that the IT equipment is secured as soon as possible. Please contact **Stoke Fraud Hub team** for advice in relation to this. Any printouts of data and exception reports can be useful, so should be retained and these together with hard copies should be timed, dated and signed by the investigator;
- Where you suspend suspects you must prevent their access to Council buildings, remove their access rights to IT networks and systems and change all relevant passwords, PIN numbers etc;
- **Physical evidence** is necessary when the investigation arises from an apparent discrepancy in cash, stores or other assets. A physical count of the cash, stores or assets is necessary to record the actual value of the cash/stores present at a fixed point in time;
- All **cash** held by the person should be counted at the same time (to prevent the same cash being presented more than once to cover a shortage). The cash count should include a detailed analysis of cash by denomination and any cheques, receipts and IOUs. The count should be checked by two people and the results signed and dated by both;
- Ask the employee under investigation if there is any more cash (e.g. at their home) and check this immediately to prevent subsequent reinstatement;
- All **stocks and stores** need to be counted if there is a suspicion of theft of assets. A full stock check, including opening all boxes to ensure they contain the goods they

are supposed to, should be undertaken. Stock totals should be signed and dated by two investigators. If there are similar stores in other locations controlled by the suspect, then these need to be checked simultaneously to avoid stocks being moved between different stores to hide discrepancies;

- **Observations** can be used to identify exactly what is happening to physical assets (e.g. stores being loaded into private cars);
- **Seek guidance from the fraud team before any surveillance**, who will also consult the Council's Legal service. Surveillance must be necessary and proportionate in accordance with the Regulations of Investigatory Powers Act 2000 (RIPA) for Local Authorities now to be able to undertake any surveillance authorisation must be sought from the Magistrates Court;
- Relevant **CCTV footage** may be available. In addition, if any form of access system is in use, it may establish who was where and when;
- If videos are to be used in evidence they should have the date and time continuously displayed. For the same reasons as for IT equipment, preserve the original tape intact as evidence for possible use in court and disciplinary hearings.

## 5. Lack of Evidence

5.1 The Council will only investigate allegations which are deemed to be creditable following an initial review of information received and where evidence is available. This is because pursuing vague, mischievous or malicious allegations of theft, fraud, corruption and bribery would waste time on unnecessary and unfocussed investigations, and could lead to suspension of innocent staff, undermining corporate culture and morale.

## 6. Review Outcomes

6.1 The Council's policy is to refer theft, fraud or corruption to the police for investigation and prosecution whenever possible. However, it's important to remember that the evidence for a successful prosecution must prove a case beyond all reasonable doubt, while disciplinary cases (including dismissal for gross misconduct) are decided on the balance of probabilities.

6.2 The Stoke Fraud Hub will consult the Section 151 Officer, Head of Service, and the Human Resources Manager to determine whether any matter should be referred to the Police for criminal investigation.

6.3 The Head of Service must remedy control weaknesses identified during the course of an investigation. The fraud team will provide advice and support on effective controls, and will ultimately include these in a report (though implementation should not be delayed until the report is issued).

6.4 The fraud team will record all final outcomes on the Fraud Case Management System. This information informs future prevention strategies, and is used in reporting fraud and corruption at the Council.

6.5 In all cases the Council's insurers should be informed of actual losses as soon as these have been firmly established. It is sensible to keep External Audit informed. The Communications team will be kept informed in order that publicity can be properly managed.

## **7. Recover Losses**

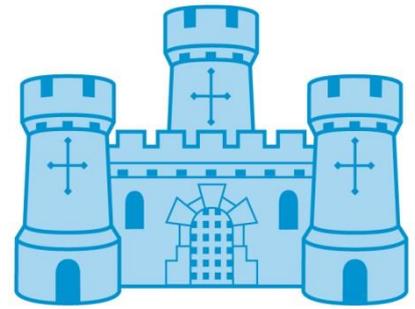
- 7.1 There are a variety of methods which can be used to recover losses. Methods used depend upon the extent of the losses, the seriousness of the fraud/corruption and whether the response is disciplinary action, legal action or both.
- 7.2 Some cases will be covered by the Council's Fidelity Guarantee insurance. If the case is going to court, the Council can seek a compensation order.

## **8. Partnership agreement for Counter Fraud Services**

- 8.1 The Council has formed a partnership with Stoke-on-Trent City Council to provide a counter fraud service. Stoke-on-Trent City Council (Stoke Fraud Hub) will work in partnership with Newcastle Borough Council to provide a full 'end to end' counter fraud service which covers all types on non-benefit and corporate fraud. The service offers a full detection and investigation service as well as work to prevent fraud and share the learning coming out of its activities both within the partnership and more broadly.

## **9. Review and Development of this Plan**

- 9.1 It is important to keep this Fraud Response Plan up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).



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## Whistleblowing Policy 2020/21

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## Introduction – What is Whistleblowing?

Sometimes whistleblowing is called speaking up or raising a concern. It is all about ensuring that if someone sees something wrong in the workplace, they are able to raise this within their organisation, or externally. Whistleblowing ultimately protects customers, staff, beneficiaries, and the organisation itself by identifying harm and wrong doing before it is too late.

People working within organisations are often the first to realise that there may be something seriously wrong in the place in which they work. Workers should be watchful for illegal or unethical conduct and report anything of that nature that they become aware of. Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we encourage employees and others working at or for the Council who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.

## Aims and scope of the policy

This policy supports the Councils Anti-Fraud and Anti-Corruption Framework, Corporate Health and Safety Policy, and the Safeguarding Children and Vulnerable Adults Policy.

The policy applies to all employees, agency workers and contractors working on Council premises (for example, cleaners, builders and drivers). It also covers suppliers and those providing services under a contract with the Council in their own premises.

This policy aims to:

- provide avenues for you to raise concerns and receive feedback on any action taken;
- allow you to take the matter further if you are dissatisfied with the Council's response; and
- reassure you that you will be protected from reprisals or victimisation for whistleblowing, and will be supported throughout the process.

## What to do if you have any concerns?

The earlier you express your concern, the easier it is to take action, and although you will not be expected to prove the truth of the allegation, you will need to be able to demonstrate to the person contacted that there are sufficient grounds for your concern.

If you have a concern, the Council hopes that you will be able to raise the matter with your line manager. However, if you feel unable to raise the matter with your line manager or if you believe that your line manager is involved in the concern, you should contact the Council's Internal Audit department.

The Council's Internal Audit department: Internal Audit, Newcastle-under-Lyme Borough Council, Castle House, Barracks Road, Newcastle-under-Lyme, Staffordshire, ST5 1BL. Telephone: (01782) 742119. Email: [whistleblowing@newcastle-staffs.gov.uk](mailto:whistleblowing@newcastle-staffs.gov.uk) For any concerns raised in writing please label these "PRIVATE and CONFIDENTIAL".

If you have followed these channels and you still have concerns or you feel that you are unable to discuss the matter with your line manager or Internal Audit please contact the Monitoring Officer (contact details can be found in the "Who is the Responsible Officer?" section below).

## What safeguards are in place?

The law (Employment Rights Act 1996 and Public Interest Disclosure Act 1998) provides protection for workers who raise legitimate concerns about specified matters. These are called "qualifying disclosures". A qualifying disclosure is one made in the public interest by a worker who has a reasonable belief that:

- a criminal offence;
- a miscarriage of justice;
- an act creating risk to health and safety;
- an act causing damage to the environment;
- a breach of any other legal obligation; or
- concealment of any of the above

is being, has been, or is likely to be, committed. It is not necessary for the worker to have proof that such an act is being, has been, or is likely to be, committed - a reasonable belief is sufficient. The worker has no responsibility for investigating the matter - it is the Council's responsibility to look into the matter.

A person who makes such a protected disclosure has the right not to be dismissed, subjected to any other detriment or victimised because they have made a disclosure.

## Responding to your concerns

The Council will, where possible, protect the identity of a notifying individual and not reveal their source at any time during the investigation. However, you may eventually be needed as a witness in disciplinary or criminal proceedings if necessary (if you are, the Council will arrange for you to be given advice about the procedure).

The action taken by the Council will depend on the nature of the concern.

The matters raised may:-

- be investigated internally;
- be referred to the Police;
- be referred to First Response at Staffs County Council in respect of safeguarding issues;
- be referred to the external auditor; or
- form an independent inquiry/investigation.

Within 10 working days of a concern being received, the Council will write to you:-

- acknowledging that the concern has been received;
- indicating how it proposes to deal with the matter;
- giving an estimate of how long it will take to provide a final response;
- telling you whether any initial enquiries have been made; and
- telling you whether further investigations will take place; and if not, why not.

The amount of contact between the officers considering the issue and you will depend upon the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought from you.

The Council accepts that you need to be assured that the matter has been properly addressed and looked into. Thus, subject to legal constraints, you will receive information about the outcomes of any investigations.

## Who is the Responsible Officer?

The Council's "Monitoring Officer" is the Responsible Officer. The Monitoring Officer has overall responsibility for the maintenance and operation of this policy. They can be contacted on 01782 742230. If you feel you cannot raise your concerns with your line manager or the Council's Internal Audit department, then you should make contact with the Monitoring Officer.

A record will be maintained of all concerns raised together with the outcomes and will be reported as necessary to the Council.

## How the matter can be taken further?

This policy is intended to provide you with an avenue to raise concerns within the Council. The Council hopes that you will have confidence in using the Whistleblowing procedure, however, if you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:-

- The Council's External Auditors - Grant Thornton
- The Police

## Further Advice

The Council pays an annual subscription to Protect (previously named Public Concern at Work) who are a registered charity, which gives our employees access to a confidential advice line. They have qualified legal staff to give help and advice and can be contacted on 020 3117 2520. They can also be contacted by email: [mls@protect-advice.org.uk](mailto:mls@protect-advice.org.uk)

Their website contains lots of information and advice in respect of whistleblowing: [www.protect-advice.org.uk](http://www.protect-advice.org.uk)

## Review of this Policy

It is important to keep this policy up-to-date with developments in the law and professional practice. This policy will be reviewed every two years and reported to the Audit and Standards Committee (unless any urgent need arises that requires an update before then).

## Appendix A – Whistleblowing policy reporting form

### Whistleblowing Policy Reporting Form

Newcastle Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees and others that we deal with who have concerns about any aspect of the Council's work to come forward and voice their concerns. If you wish to raise a concern in writing please use this pro-forma.

Background and history of the concern (giving relevant dates):

The reasons why you are particularly concerned about the situation:

(continue on a separate sheet if necessary)

You are encouraged to put your name to this report. Concerns expressed anonymously are much less powerful but they may be considered. If you feel able to, please give your name and details below:

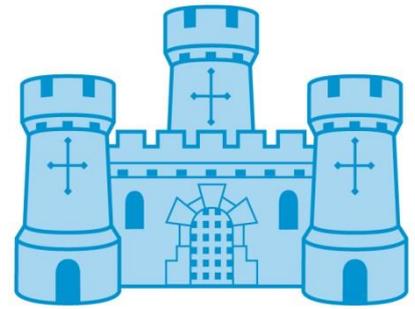
Name

Service

Contact Telephone Number

Date

PLEASE SEND THIS FORM TO YOUR LINE MANAGER OR ALTERNATIVELY  
INTERNAL AUDIT



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## Anti-Money Laundering Policy 2020/21

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## Introduction

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017. They implement the EU's 4th Directive on Money Laundering. In doing so, they replace the Money Laundering Regulations 2007 (MLR 2007) and the Transfer of Funds (Information on the Payer) Regulations 2007 which were previously in force.

Whilst the majority of money laundering activity in the UK falls outside of the public sector, vigilance by employees of the Council can help identify those who are or may be perpetrating crimes relating to the financing of terrorism and money laundering.

This policy, together with supporting guidance notes aims to support staff in identifying potential suspect transaction during the course of their work at Newcastle Borough Council. The policy provides a mechanism for such transactions to be reported to an appropriate officer for evaluation and potentially passed on to the relevant authorities.

## What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity.

The following Primary Offences constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329);

### Secondary Offences

There are also two secondary offences: failure to disclose any of the primary offences and tipping off.

**Failure to Disclose** – A Council employee commits an offence if they know or have reasonable grounds to suspect that another person is engaged in money laundering and they do not make the required disclosure as soon as is practicable after the information comes to them.

**Tipping Off** – A Council employee commits an offence if they inform a person or people who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of it being investigated or prejudicing an investigation.

Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. ***The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).***

## What are the obligations on the Council?

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Regulations apply to “relevant persons” acting in the course of business carried on by them in the UK. Not all of the Council’s business is “relevant” for the purposes of the legislation. It is mainly accountancy and financial, company and property transactions. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, all staff are required to comply with the reporting procedure set out in this policy and the Anti-Money Laundering Staff Guidance.

The obligations on the Council are to establish and maintain appropriate and risk sensitive policies and procedures. Organisations must:

- appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity;
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

Section Dd7 of the Council’s Financial Regulations states that all Directors need to ensure that their employees are made aware of and comply with the Council’s Money Laundering Guidance.

## Customer Due Diligence (Client Identification Procedure)

### Standard Customer Due Diligence

Where the Council is carrying out certain regulated business (accountancy, audit and tax services and legal services re financial, company or property transactions) and as part of this

a) forms an ongoing business relationship with a client

- b) undertakes a one off or occasional transaction amounting to €15,000 (approximately £13,000) or more (whether carried out as a single transaction or several linked ones)
- c) suspects money laundering or terrorist financing;

then the Customer Due Diligence Procedure must be followed before any business is undertaken for that client. This means identifying the customer and verifying the customer's identity on the basis of information obtained from a reliable and independent source.

#### Enhanced Customer Due Diligence (and Ongoing Monitoring)

It will in certain circumstances be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

Where this applies, the Council will need to take adequate measures to compensate for the higher risk. For example, this will mean ensuring that the customer's identity is established by additional documents, data or information and ensuring ongoing monitoring is carried out for the duration of the business relationship.

Similarly, where the Council is in an ongoing "business relationship" with a customer, the Regulations impose a special obligation to carry out ongoing monitoring.

## **The Money Laundering Reporting Officer (MLRO)**

The officer nominated to receive disclosures about money laundering activity within the council is the Executive Director of Resources and Support Services.

In the absence of the MLRO, the Head of Finance is authorised to deputise.

Both of these officers can be contacted as follows:

Executive Director Resources and Support Services or Head of Finance

Newcastle-under-Lyme Borough Council  
Resources Directorate  
Castle House,  
Barracks Road,  
Newcastle-under-Lyme,  
Staffordshire.  
ST5 1BL

Telephone: 01782 742106 (Secretary to Executive Director Resources and Support Services)

Telephone: 01782 742119 (Head of Finance)

The MLRO or deputy must promptly evaluate any disclosure to determine whether it should be reported to the National Crime Agency ("NCA"). This can be done via their website: [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk)

A “Suspicious Activity Report” can be completed online on the NCA website. The NCA can be contacted on 0370 496 7622.

## Disclosure Procedure and Reporting Requirements

### Cash Payments

The Council already has procedures in place to limit the amount of cash that it receives, with other payment methods being made available. Section Dd6 of the Council’s Financial Regulations stipulates that cash payments in excess of £2,000 will not be accepted.

Financial Regulations Dg4 Receipts, in excess of £10,000, and any bank payments from unknown or overseas banks shall be evaluated and evidenced to ensure the legitimate source of the funds.

### Reporting to the Money Laundering Reporting Officer (MLRO)

Any employee who suspects money laundering activity is taking place, or an employee who becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, must disclose this promptly to the MLRO.

The disclosure should be made to the MLRO or deputy using the proforma report attached at Appendix A to the Anti Money Laundering Staff Guidance document. The report must include as much detail as possible.

The employee must follow any subsequent directions from the MLRO or deputy and must not make any further enquiries themselves into the matter. Additionally, they must not take any further steps in the transaction without authorisation from the MLRO or deputy.

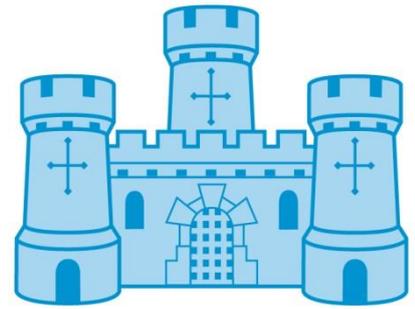
The employee must not disclose or otherwise indicate their suspicions to the person(s) suspected of money laundering. They must not discuss the matter with others or note on a file that a report has been made to the MLRO in case this results in the suspect becoming aware of the suspicion.

## Risk Management and Internal Control

The risk to the Council of contravening the Anti-Money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money Laundering Policy and Staff Guidance will be reviewed in light of such assessments. Money Laundering as a risk will be included on the Council’s Grace Risk Management System.

### Record Keeping

To comply with the legislation, records must be kept for a period of five years and be sufficient to provide an audit trail for any subsequent investigation.



**NEWCASTLE  
UNDER LYME**  
**BOROUGH COUNCIL**

# Anti-Money Laundering Staff Guidance 2020/21

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## Introduction

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) came into force on 26 June 2017. These replace the Money Laundering Regulations (2007). The regulations place obligations on the Council and on its employees with regard to suspected money laundering. This guidance document is aimed to help you understand your responsibilities as an employee of the Council, to support you in identifying potential suspect transactions during the course of your work and provide you with a mechanism for such transactions to be reported to an appropriate officer for evaluation.

## What is Money Laundering?

Money laundering is the generic term used to describe the process by which criminals disguise the original ownership and control of the proceeds of criminal conduct by making such proceeds appear to have derived from a legitimate source. In other words, the process of changing 'bad' money into 'good' money in order to hide the fact that the money originated from criminal activity.

The following Primary Offences constitute the act of money laundering:

- concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the 2002 Act); or
- entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328); or
- acquiring, using or possessing criminal property (section 329);

## What are the Council's Responsibilities?

Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Council is committed to preventing, detecting and reporting money laundering.

Section Dd7 of the Council's Financial Regulations states that all Directors need to ensure that their employees are made aware of and comply with the Council's Money Laundering Guidance.

The Council's responsibilities will include:

- appointing a Money Laundering Reporting Officer ("MLRO") to receive disclosures from employees of money laundering activity;
- implementing a procedure to enable the reporting of suspicions of money laundering;
- maintaining client identification procedures in certain circumstances; and
- maintaining record keeping procedures.

The Council's Anti-Money Laundering Policy can be found on the Intranet.

## What are the Responsibilities of the Employee?

All employees must be vigilant for the signs of money laundering.

The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).

In accordance with the Council's Financial Regulations (Dd6) you must not accept any cash payments in excess of £2,000.

If you do not promptly report any suspicions that you may have, you are at risk of committing a secondary offence known as "Failure to Disclose". As a Council employee you commit an offence if you know or have reasonable grounds to suspect that another person is engaged in money laundering and you do not make the required disclosure as soon as is practicable after the information comes to you.

You also need to be aware that there is another secondary offence known as "Tipping Off". You need to maintain strict confidentiality in respect of any suspected Money Laundering as you are at risk of committing an offence if you inform a person(s) who are, or are suspected of being involved in money laundering, in such a way as to reduce the likelihood of it being investigated or prejudicing an investigation.

In respect of any receipts in excess of £10,000 and any bank payments from unknown or overseas banks you will need to take measures to ensure the legitimate source of these funds in accordance with Financial Regulations (Dg4).

Please refer to the Customer Due Diligence section for information on verifying a customer's identification.

## What are the penalties?

People who commit a secondary offence of "Failure to Disclose" or "Tipping Off" could face a prison sentence of up to five years, a fine, or both.

## What is Customer Due Diligence?

Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to verify the identity of the customer or client – this is known as carrying out customer due diligence.

'Regulated activities' include the provision of advice about tax affairs, accounting services, treasury management, investment or other financial services, audit services, legal services, estate services, services involving the formation of a company or trust or dealing in goods whereby a transaction involves a cash payment of €15,000 (approximately £13,000) or more.

Here are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity?
- Is the Council charging for the service? and,
- Is the service being provided to a customer other than a UK public Authority?

If the answer to any of the above questions is no, then customer due diligence is not required.

If the answer to all three questions is yes, then customer due diligence is required before any business is undertaken for that client.

In instances that require customer due diligence then evidence of identity must be sought.

For individuals this could include:

- Photographic identification i.e. passport or driving licence and two documents which confirm the customer's address i.e. utility bills (although not mobile phone bills) or bank statements

For companies this could include:

- Checking with the customers website to confirm their business address;
- Conducting a search via Companies House to confirm the nature and business of the customer and to confirm the identities of any directors; and,
- Seeking evidence of personal identity, for example their passport.

#### Enhanced Customer Due Diligence (and Ongoing Monitoring)

In certain circumstances it will be necessary to undertake what is known in the Regulations as Enhanced Customer Due Diligence. In summary, this will be necessary where:

- The customer has not been physically present for identification purposes; or
- In any other situation which by its nature can present a higher risk of money laundering or terrorist financing.

To compensate for the higher risk you must obtain additional documents of identity and also carry out ongoing monitoring. This means you must scrutinise transactions throughout the course of the relationship to ensure that the transactions are consistent with the Council's knowledge of the customer and keep the information about the customer up-to-date.

## **Who is the Council's Money Laundering Reporting Officer (MLRO)?**

The officer nominated to receive disclosures about money laundering activity within the council is the Executive Director of Resources and Support Services.

In the absence of the MLRO, the Head of Finance is authorised to deputise.

Both of these officers are based at Castle House and can be contacted as follows:

Telephone: 01782 742106 (Secretary to Executive Director Resources and Support Services)

Telephone: 01782 742119 (Head of Finance)

## **What should I do if I suspect Money Laundering?**

If you suspect an instance of money laundering activity you must report your suspicion

promptly to the MLRO, or deputy using the form attached as Appendix A. If you would prefer you can also discuss your suspicions with the MLRO or deputy first. You must follow any subsequent directions of the MLRO or deputy and must not make any further enquiries into the matter yourself without authorisation from the MLRO or deputy.

## Where can I find out more information about Money Laundering?

You can refer to various pieces of legislation including:

- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017;
- The Proceeds of Crime Act 2002;
- The Terrorism Act 2000.

You can also refer to The National Crime Agency ([www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk))

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REPORT TO THE MONEY LAUNDERING REPORTING OFFICER

Details of Suspected Offence:

Details of the person(s) involved:

(Please supply as much detail as possible including full name, address, date of birth, bank account details etc. For companies please also include the registered address and nature of the business)

Nature, value and timing of activity involved:

Reasons for suspicions:

*Continue on a separate sheet if necessary.*

Name: \_\_\_\_\_ Directorate: \_\_\_\_\_ Ext: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

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**NEWCASTLE-UNDER-LYME BOROUGH COUNCIL**

**EXECUTIVE MANAGEMENT TEAM'S REPORT TO**

**Audit & Standards Committee**

**27 July 2020**

**Report Title:** Annual Health and Safety Report 2019 - 2020

**Submitted by:** Head of Environmental Health Services

**Portfolios:** Finance and Efficiency

**Ward(s) affected:** None

**Purpose of the Report**

To inform Members of any trends and issues regarding health and safety at the council.

**Recommendation**

**That the report be noted.**

**Reasons**

Regular updates in relation to health and safety service delivery, information and trends ensures effective review of service delivery.

1. **Background**

1.1 Attached as an Appendix is the health and safety report submitted to the council. It covers the period 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.

2. **Issues**

2.1 Accident data and trends are provided within the report.

2.2 Updates to the Employee Health and Safety Handbook and Workplace Smoking Policy have been undertaken and approved.

2.3 A regime of site inspections has been implemented resulting in resolution of many site specific risks.

2.4 First aid provision will require review when training becomes available once more and typical re-occupation levels in buildings are established after COVID-19 has stabilised.

2.5 COVID-19 has resulted in many alterations to service delivery mechanisms and risk assessments and control measures were also implemented across all sites to enable a safe re-occupation.

3. **Proposal**

3.1 That the report be noted

4. **Reasons for Proposed Solution**

4.1 Regular updates in relation to health and safety service delivery, information and trends ensures effective review of service delivery.

5. **Options Considered**

5.1 Not applicable

6. **Legal and Statutory Implications**

6.1 The council is required to comply with all relevant Health and Safety legislation.

6.2 Failure in ensuring suitable and sufficient arrangements for health and safety may lead to investigation and/or enforcement action by the Health and Safety Executive as the enforcing authority for the council's activities.

7. **Equality Impact Assessment**

7.1 The health and safety policy and procedures apply equally to all employees. Training is available to all employees as required.

8. **Financial and Resource Implications**

8.1 The majority of health and safety training courses are carried out in-house. On occasions, external providers are required to conduct specialist training courses i.e. First Aid. The cost of this is met from within the existing Corporate Training budget.

8.2 Good health and safety management also ensures that insurance claims may be effectively managed.

9. **Major Risks**

9.1 Failure to adopt best practice health and safety standards could result in wastage of council resources and the provision of an inefficient service.

10. **Sustainability and Climate Change Implications**

10.1 No sustainability or climate change implications were identified.

11. **Key Decision Information**

11.1 This is not a key decision.

12. **Earlier Cabinet/Committee Resolutions**

12.1 The Audit and Standards Committee receive both an annual and six monthly report each year.

13. **List of Appendices**

13.1 Appendix 1 – Annual Health and Safety Report

14. **Background Papers**

14.1 None

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**Newcastle-under-Lyme Borough Council**

**ANNUAL HEALTH AND SAFETY REPORT APRIL 2019 – MARCH 2020**

**1. INTRODUCTION**

- 1.1 This report outlines the current state of health and safety matters during the twelve months from 1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020.
- 1.2 There is considerable progress to report, including the delivery of training, fire evacuation drills and the revision of several health and safety policies.

**2. POLICIES AND GUIDANCE**

- 2.1 A review of the employee protection policy is being undertaken to reflect changes brought about by the introduction and implementation of the Skyguard MySOS lone worker protection devices.
- 2.2 The employee handbook has been further updated to incorporate input from the hand arm vibration (HAVS) and noise working group.
- 2.3 The Workplace Policy on Smoking is also in the process of review to include vaping and similar items.
- 2.4 The above documents, once agreed, will be communicated to staff and made available on the intranet.

**3. TARGET 100**

- 3.1 Work has been ongoing to complete the background data alterations to progress to version 6.1 of the Target 100 IT system.
- 3.2 Alterations are complete, but further work is required on the system in preparation for the changeover by the software company BSS and further work will then commence on arranging training for key staff members on the new version. This will be provided initially by BSS followed by additional sessions by the Corporate Health and Safety Officer and Technical Assistant as deemed necessary. This was due to be completed by the end of March but has been delayed due to the Coronavirus pandemic.
- 3.3 Communication of this information will be directed towards the key staff as soon as dates and training are finalised.

**4. HEALTH AND SAFETY TRAINING**

- 4.1 The following Health and Safety Training has been undertaken –

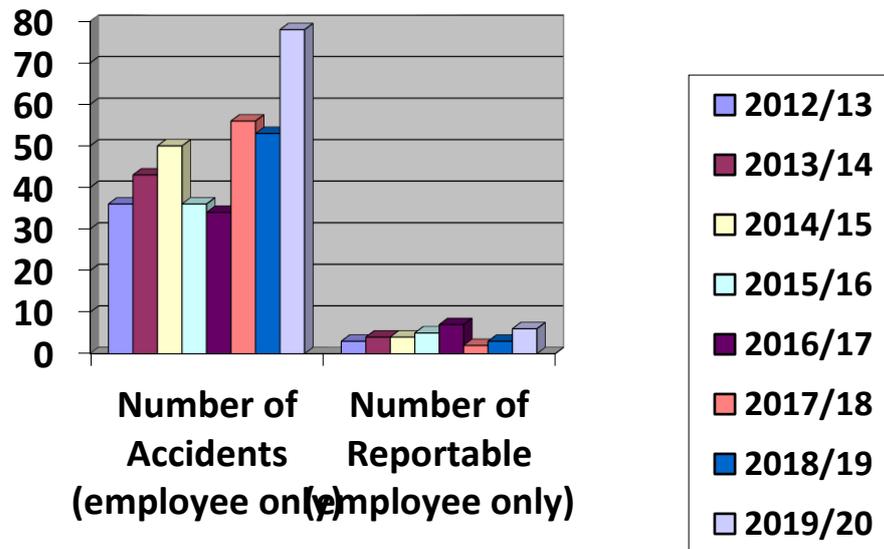
Manual Handling – Museum, Jubilee 2, Streetscene and Waste now completed, a few “mop-up” sessions will be required  
Evac Chair  
Controlling Officer  
Target 100 Version 6

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**5. ACCIDENT REPORTS –**

5.1 Please see table and graph below for a summary of employee accidents.

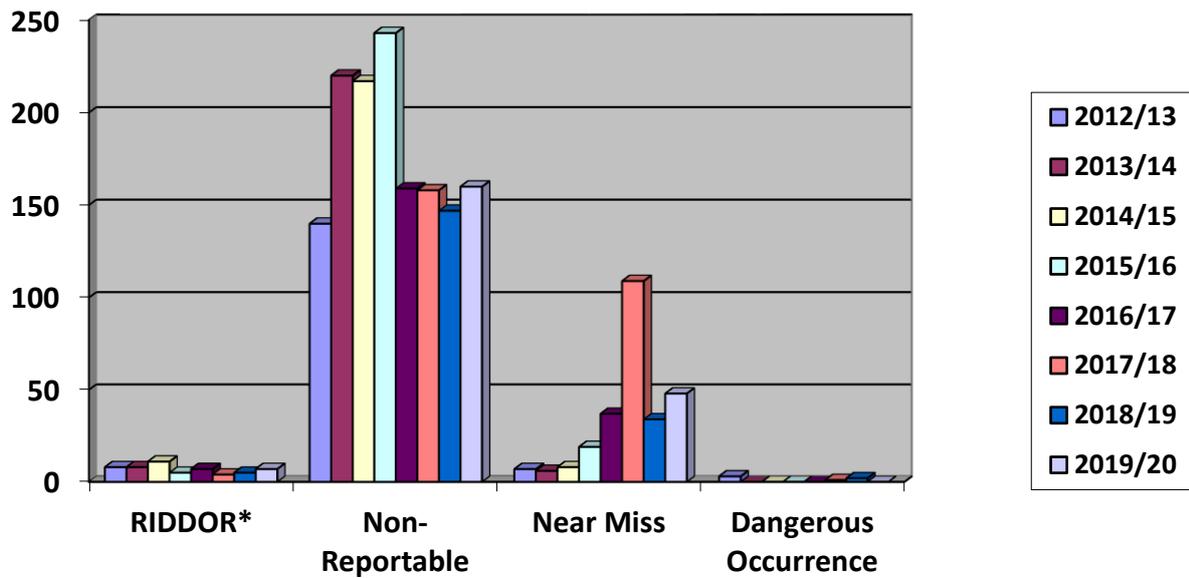
Year	Number of Accidents (employee only)	Number of Reportable (employee only)
2012/13	36	3
2013/14	43	4
2014/15	50	4
2015/16	36	5
2016/17	34	7
2017/18	56	2
2018/19	53	3
2019/20	78	6



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5.2 The table and graph below shows trends in all accidents (staff & members of public)

Year	RIDDOR*	Non-Reportable	Near Miss	Dangerous Occurrence
2012/13	8	140	7	3
2013/14	8	220	6	0
2014/15	11	217	8	0
2015/16	5	243	19	0
2016/17	7	159	37	0
2017/18	4	158	109	1
2018/19	5	147	34	2
2019/20	7	160	48	0



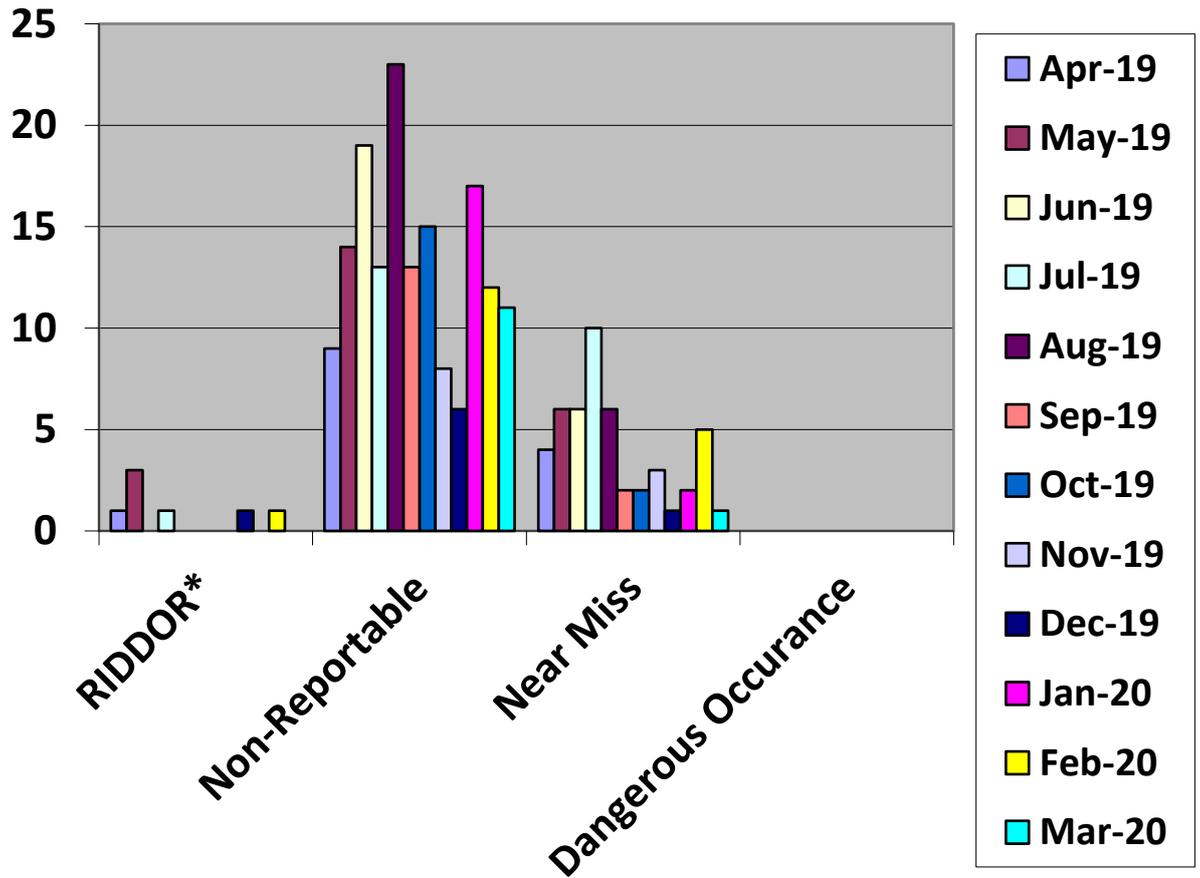
**UNCLASSIFIED**

5.3 The table and graph below shows a monthly breakdown of all accidents in 2019/20.

<b>Month</b>	<b>RIDDOR</b>	<b>Non-Reportable</b>	<b>Near Miss</b>	<b>RTA</b>	<b>Dangerous Occurrence</b>	<b>Totals</b>
April	1	9	4	N/A	0	<b>14</b>
May	3	14	6	N/A	0	<b>23</b>
June	0	19	6	N/A	0	<b>25</b>
July	1	13	10	N/A	0	<b>24</b>
August	0	23	6	N/A	0	<b>29</b>
September	0	13	2	N/A	0	<b>15</b>
October	0	15	2	N/A	0	<b>17</b>
November	0	8	3	N/A	0	<b>11</b>
December	1	6	1	N/A	0	<b>8</b>
January	0	15	2	2	0	<b>19</b>
February	1	12	5	0	0	<b>18</b>
March	0	10	1	1	0	<b>12</b>
<b>Totals</b>	<b>7</b>	<b>157</b>	<b>48</b>	<b>3</b>	<b>0</b>	<b>215</b>

\* RIDDOR - Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (Accidents which result in over a 7 day absence from work of an employee; a member of the public taken from the premises by ambulance and specified injuries (broken bones etc) would all be reportable to the Health & Safety Executive by the Local Authority.

The decision to separate RTA's was made in the New Year to assist in identifying any trends in relation to road traffic accidents relating to seasonal conditions.



N.B. RTAs for both January and March have been included in the non-reportable section above to provide consistency across the year. Subsequent years will show RTAs as a separate entry.

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5.2.1 RIDDOR Summary

<b>Month</b>	<b>Injured Person</b>	<b>Location</b>	<b>Incident Type</b>	<b>Remedial Action</b>
April 19	Member of staff	Waste	Over 7 day injury Slip, trip, fall	Slipped over an aerosol can when exiting a vehicle Safety footwear worn at time of incident No further actions required
May 19	Member of staff	Waste	Over 7 day injury Slip, trip, fall	Twisted ankle stepping off a kerb. Safety footwear in place at the time of the incident No further action required
May 19	Member of staff	Fleet	Reportable disease HAVS	Removed from using vibrating tools upon diagnosis
May 19	Member of staff	Fleet	Reportable disease Carpal tunnel syndrome	Removed from using vibrating tools upon diagnosis
July 19	Member of public (MOP)	Leisure	MOP taken directly to hospital Slip, trip fall	MOP slipped on poolside No issues identified with surfaces or procedures No further action required
December 19	Member of staff	Waste	Over 7 day injury Slip, trip, fall	Trip over a hole in the public pavement. Injured Person wearing safety footwear at the time and the hole was reported to Staffordshire County Council for repair via their on-line portal. No further actions required.
February 20	Member of staff	Waste	Over 7 day injury Slip, trip, fall	Safety footwear were in use at the time of the accident. Previous injury thought to be a contributing factor. No further action required

All RIDDOR Accidents have been reported to the HSE and investigations have been completed by management.

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**6. HEALTH AND SAFETY AUDITS & INSPECTIONS**

- 6.1 The Corporate Health and Safety Officer has completed re- inspections of the following properties –
- - Waste Transfer Sections, Knutton Depot
  - Garages, Knutton Depot
  - Clough Hall Park
  - Brampton Museum
  - Streetscene Sections, Knutton Depot
  - Jubilee2
  - Kidsgrove Customer Services Centre
  - Clough Hall Park
  - Bradwell Crematorium
  - Westlands Tennis Courts
- 6.2 Improvements were noted to the vast majority of sites with outstanding issues progressed with managers or corporately.
- 6.3 Members of the Corporate Health & Safety Committee and Union representatives also attended the inspection of Jubilee2.

**7. KNUTTON DEPOT**

- 7.1 The Knutton Lane Health and Safety Committee held meetings on:
- 13<sup>th</sup> June 2019
  - 26<sup>th</sup> September 2019
  - 9<sup>th</sup> January 2020
- 7.2 Matters arising from the meetings included:-
- Accidents, Incidents and Near Misses
  - Target 100
  - Training
  - Site Rules
  - HAVS update
  - Buildings, Utilities and Infrastructure
  - External Yard, Waste Transfer Station, Salt Yard
  - Site re-organisation

**8 LEISURE (SHE) Safety, Health and Environment Meetings –**

- 8.1 The meetings have been established to oversee and monitor the implementation of British Standards for the management of Quality (ISO 9001), Environment (ISO 14001) and ISO 18001 (Health & Safety).

Meetings held on:

- 21<sup>st</sup> May 2019
- 20<sup>th</sup> August 2019
- 21<sup>st</sup> November 2019
- 11<sup>th</sup> February 2019

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8.2 During the Meetings the following points (regarding health and safety) are discussed

- Accident Statistics
- Accident / Incident Investigations
- Ongoing works within the sauna / steam area
- Remedial works to roof
- Risk Assessments
- COSHH
- Staff training

Minutes/Action logs from the meetings are provided for review at Corporate Health and Safety Committee meetings.

## 9. CORPORATE HEALTH AND SAFETY COMMITTEE

9.1 The Corporate Health and Safety Committee held the following meetings during the period

- 4<sup>th</sup> April 2019
- 4<sup>th</sup> July 2019
- 24<sup>th</sup> October 2019
- 23<sup>rd</sup> January 2020

9.2 The committee discussed the following items at the last meeting:

- Health and safety matrix
- Insurance reports
- Accidents, incidents and near misses
- Accident & Insurance claims
- Target 100 update
- Castle House
- Facilities Management Updates
- Leisure and Cultural SHE
- Knutton Lane Depot Committee - Drug and alcohol policy: Managers' guidance
- HAVS working group
- Trade Unions – Banksman training & asbestos collections

## 10. FIRE

10.1 Evacuations are in the process of being scheduled for the six monthly testing, however as buildings have remained closed due to Coronavirus this has been significantly delayed.

## 11. EVENT SAFETY

11.1 There have been a number of events over the past six months where Corporate Health & Safety Services and partners from Staffordshire Police and Staffordshire Fire and Rescue Service have provided advice and assistance to help event organisers carry out a safe event. Examples of events receiving input include:

- Lyme Valley play day
- Wild play events (multiple)

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- Funtopia
- Praise in the park
- Lymelight
- Bradwell Fun Day
- Party in the Park
- Aspire family Fun Day

### 13. CASTLE HOUSE

- 13.1 As the transition to Castle House has now completed and staff have been in the building for over 12 months there have been a number of ongoing issues noted.

The first is with regards to the lift where breakdowns were regular. This issue appears to have now been resolved and no further issues have been reported.

The environmental testing from BSRIA has commenced and will be completed post Covid-19.

Blinds have been installed

Works being undertaken by Staffordshire County Council on the ground floor section is nearing completion.

### 14. FIRST AID

- 14.1 A review has been undertaken regarding the provision of First Aid across the organisation. This review has been agreed and it is in the process of being rolled-out. However some Staff first aid training, has been delayed in part due to the Coronavirus closures.

Additional volunteers have been identified and once normal service has resumed training will be arranged as soon as possible to ensure sufficient coverage is retained.

### 15. COVID-19

- 15.1 The COVID-19 pandemic had a huge impact on the operations both within the Council, with partnership organisations and with the public.

Health and Safety advice, risk assessments, safe systems of work and COSHH assessments have been undertaken to ensure that where services are operational, the health, safety and welfare of staff and service users in maintained in accordance with Government guidelines and advice.

Staff who were identified as suitable for re-deployment were trained in new roles to maintain service delivery wherever possible.

- 15.2 A helpline contact Vivup has also been established to help staff during the stressful time.

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## Audit and Standards Committee

### Work Plan 2020/2021

Committee Date	Reports
27 July 2020	<ol style="list-style-type: none"> <li>1. Committee Work Plan</li> <li>2. Annual Governance Statement</li> <li>3. Annual Health and Safety Report</li> <li>4. Draft Statement of Accounts 2019/20</li> <li>5. Treasury Management Annual report</li> <li>6. Counter Fraud Arrangements</li> <li>7. Corporate Risk Management Strategy</li> </ol>
28 September 2020	<ol style="list-style-type: none"> <li>1. Internal Audit Annual Report 2019/20</li> <li>2. Internal Audit Progress Report Quarter 1</li> <li>3. Corporate Risk Management Report Quarter 1</li> <li>4. Local Government Ombudsman Annual Review Letter 2019/20</li> </ol>
9 <sup>th</sup> November 2020	<ol style="list-style-type: none"> <li>1. Audited Statement of Accounts 2019/20</li> <li>2. External Auditors Audit Findings Report</li> <li>3. Outstanding Recommendations and Assurance Report Quarter 1 and 2</li> <li>4. External Audit – Annual Audit Letter</li> <li>5. Corporate Risk Management Report Quarter 1 and 2</li> <li>6. Internal Audit Progress Report Quarter 2</li> <li>7. Health and Safety Half-Year Report April-September 2020</li> <li>8. Treasury Management Half-Yearly Report 2020</li> </ol>
8 <sup>th</sup> February 2021	<ol style="list-style-type: none"> <li>1. Corporate Risk Management Report Quarter 3</li> <li>2. Internal Audit Progress Report Quarter 3</li> <li>3. Outstanding Recommendations and Assurance Report Quarter 3</li> <li>4. Internal Audit Plan 2021/22</li> <li>5. Internal Audit Charter 2021/22</li> </ol>
19 <sup>th</sup> April 2021	<ol style="list-style-type: none"> <li>1. Risk Management Policy and Strategy 2021/22</li> <li>2. External Audit – Certification Work</li> <li>3. Code of Corporate Governance</li> <li>4. Corporate Fraud Arrangements</li> </ol>

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