

### **Audit committee**

**Date:** Tuesday, 12 March 2019

**Time:** 16:30

**Venue:** Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

#### **Committee members:**

##### **Councillors:**

Price (chair)  
Driver (vice chair)  
Coleshill  
Fullman  
Hampton  
Lubbock  
Smith  
Stutely

#### **For further information please contact:**

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### **Informal pre-meeting**

There will be an informal discussion for members at 16:00 before the start of the meeting, facilitated by the head of internal audit on risk management

### **Information for members of the public**

Members of the public and the media have the right to attend meetings of full council, the cabinet and committees except where confidential information or exempt information is likely to be disclosed, and the meeting is therefore held in private.

For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

## Agenda

### Page nos

**1 Apologies**

To receive apologies for absence

**2 Public questions/petitions**

To receive questions / petitions from the public

Please note that all questions must be received by the committee officer detailed on the front of the agenda by **10am on Thursday, 7 March 2019.**

Petitions must be received must be received by the committee officer detailed on the front of the agenda by **10am on Monday, 11 March 2019.**

For guidance on submitting public questions or petitions please see appendix 1 of the council's constitution.

**3 Declarations of interest**

(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)

**4 Minutes**

**5 - 8**

To approve the accuracy of the minutes of the meeting held on 22 January 2019

**5 Risk Management Report**

**9 - 42**

**Purpose** - To provide an update on progress in relation to risk management.

The attached report and appendices were presented to cabinet on 6 February 2019 where the committee resolved to

note the risk management report.

**6 Draft Internal Audit Plan for Norwich City Council 2019-20 43 - 54**

This report provides the audit committee with an outline of the 2019-20 Internal Audit Plan for Norwich City Council as attached at appendix 1.

**7 Impact of New Accounting Standards, and Valuation of Council Housing for the HRA 55 - 60**

This report provides information on the impact of the new accounting standards applied under the Code of Practice on Local Authority Accounting in the United Kingdom, standards IFRS 9, IFRS 15 and IFRS 16; and the valuation of council housing for the HRA.

Date of publication: **Friday, 01 March 2019**





**Audit committee**

**16:30 to 17:30**

**22 January 2019**

Present: Councillors Price (chair), Fullman, Hampton, Lubbock, Smith and Stutely

Also present: Councillor Kendrick (cabinet member for resources)

Apologies: Councillors Driver (vice chair) and Coleshill

**1. Public questions/petitions**

There were no public questions or petitions received.

**2. Declarations of interest**

There were no declarations of interest.

**3. Minutes**

**Annual Audit Letter 2017-18**

The committee noted that in relation to resolutions (3) and (4), the chief finance officer's intention was to report on these to the next meeting of the committee (12 March 2019).

**RESOLVED** to agree the accuracy of the minutes of the meeting held on 16 October 2018.

(The chair agreed to amend the order of the agenda and to consider the exempt item first.)

**4. Exclusion of the public**

**RESOLVED** to exclude the public from the meeting during consideration of items 5 \* (below) on the grounds contained in paragraph 7 of Schedule 12A of the Local Government Act 1972 (as amended).

**5. Risk Based Verification Policy (Paragraph 7)**

The director of business services, and the strategic manager, Anglia Revenues Partnership, presented the report. They explained the benefits to both the council and customers of this approach which would improve the administration of benefits and the council tax reduction scheme.

The chair commented that risk based verification had been in operation for several years by other councils and therefore had a proven record. The committee could be therefore be satisfied of due diligence. A member said that he considered that as both the council and its customers would benefit, it was a “win-win” situation.

**RESOLVED** to:

- (1) endorse the attached draft Risk Based Verification Policy (appended to the report); and,
- (2) recommend to cabinet that it approves and adopts the Risked Based Verification Policy.

(Public could be readmitted to the meeting at this point.)

## **6. Certification of Claims and Returns Annual Report 2017-18**

The external audit manager presented the report which summarised the work and outcome of the certification work undertaken on claims and returns in relation to housing benefits subsidy claim. She pointed out that, like most local authorities, the council had received a qualified opinion.

The strategic manager, Anglia Revenues Partnership, said that the claim had been submitted to the Department of Works and Pensions (DWP) within the statutory deadline. There had been no further correspondence from the DWP and it was expected that the notification of any payments due as a result of the certification audit would be received in the summer.

During discussion, the external audit manager referred to the report and said that there were no significant findings and recommendations from the housing benefits subsidy audit. She then explained the standard methodology used for extrapolating the data, in accordance with the DWP circular. The letter of qualification set out the details of this process. The strategic manager said an ongoing conversation with the DWP about changing its requirements because all errors, even diminutive amounts, such as an error of £2.00, were considered material and had to be tested which was a strain on the public purse.

The external auditor said that no further work was required. The indicative fees had remained the same and showed that the work conducted by external audit was within its scope. Going forward, the external auditor was pleased to have been appointed as the reporting accountant to undertake the certification of the housing benefit claims and returns work for the council.

The chair thanked the external auditor for the report and said that the satisfactory conclusion was a credit to the hard work of the revenues and benefits team.

**RESOLVED** to note the external auditor’s Certification of Claims and Returns Annual Report 2017-18.

## 8. External Audit Plan 2018-19

The external audit manager presented the report and answered members' questions and said that the risks identified were consistent with previous years.

During discussion the external audit manager referred to the report and answered questions from the chair on the process for testing and assessing significant and inherent risks, including property and plan; and pensions liability. Members also noted that the new accounting standard IFRS 9 Financial Instruments could have a significant material impact on the council's accounts. The chief finance officer and her team were working through the CIPFA guidance. The chief finance officer said that she would provide a guidance note on IFRS 9 to members at their next meeting.

Members noted that external audit liaised with the council's finance team throughout the process and would be meeting with the interim senior technical accountant to discuss the council's minimum level of reserves. The strategic finance business partner (Deputy S151 officer) confirmed that before the submission of the accounts, external audit and the finance team would hold an interim audit in early March which provided the opportunity to consider any issues arising from the process.

In reply to a question from the chair, the strategic finance business partner confirmed that Norwich Regeneration Ltd had appointed Aston Shaw Accountants as its independent auditor. The external audit manager explained the process for the assessment of the group accounts and explained that the external auditor used the independent audit to provide assurance.

The external auditor referred to the *Value for Money* section of the report and pointed out that the significant risks in this section were commercialisation and financial resilience, as in the previous year, and explained the process that external audit would undertake. The chief finance officer advised the external auditor and committee that the funding gap between funding and expenditure in years 2019-20 and 2020-21 had been overstated and that the savings needed after 2020 was £10.3 million and not £13.6 million as stated in the report. She referred to the medium term financial strategy and explained how the surplus was allocated to earmarked reserves. CIPFA guidance on commercial activities for local authorities had not been released. The external auditor confirmed that external audit would be looking at how the recommendations aligned with the council's agreed strategy.

**RESOLVED**, having reviewed the report from the council's external auditor, to agree the approach and scope of the external audit as proposed in the audit plan 2018-19.

## 9. Internal Audit 2018-19 – October to December Update (Quarter 3)

(Anna Hollander, associate auditor CIPFA graduate scheme, internal audit, LGSS was introduced to the committee.)

The principal auditor (LGSS) presented the report.

A member said that he considered that internal audit's assurance opinion on each of the finalised assignments was very positive and that recommendations on minor issues was an important part of the process.

The chair referred to the work in progress and said that he was disappointed that the outcome of the audit assignments on *Fees and Charges Policy* and the *Governance arrangements for Norwich Regeneration Ltd* were not available for consideration at this meeting of the committee. The principal auditor apologised that these were not available and said that these were important pieces of work which would be reported back to committee at the next meeting.

In reply to a question from the chair, the principal auditor said that the investigation of a case of alleged fraud, where 25 days had been allocated, had not been concluded. She was therefore unable to give an update because the investigation was still in progress.

In conclusion, the principal auditor confirmed that the internal audit plan could be delivered in the time allocated on the internal audit plan. The chair and members concurred that this was a good report.

The principal auditor advised members that the corporate risk management report would be considered at cabinet on 6 February and reported to the next meeting of this committee.

**RESOLVED** to note the contents of the report.

#### **10. Local Government Audit Committee Briefing (Quarter 4) December 2018**

(The briefing note produced by the external auditors, had been circulated on a supplementary agenda.)

The external audit manager introduced the report which was for information and raised issues that external audit considered were relevant to local government and wider matters of potential interest to audit committee members.

The chair referred to the report and said that he considered the conclusions of the report as set out in the section *Key questions for the Audit Committee* were important and would be particularly useful for members when considering committee reports.

The chair asked the chief finance officer to comment on the questions relating to the impact of the government's 2018 budget on the council's financial planning and whether the finance team could meet the earlier deadlines for submitting the statement of accounts to the external audit. The chief finance officer said that following the 2018 budget, the council would receive a share of the estimated £8 million from the 100% business rates retention pilot across Norfolk, and as central government had not removed the New Homes Bonus threshold and could confirm that the council's 2019-20 budget would include a use for surplus New Homes Bonus funding (£90,000). The strategic finance business partner referred to the finance team's experience of closing down the accounts successfully and said that there would be a trial run before the close down but it was not anticipated that any issues in meeting the statutory deadline.

CHAIR

**Report to** Audit Committee  
12 March 2019  
**Report of** Chief Internal Auditor, LGSS  
**Subject** Risk Management Report

**Item**

**5**

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**Purpose**

To provide an update on progress in relation to risk management.

The attached report and appendices were presented to Cabinet on 6 February 2019 where the Committee resolved to note the risk management report.

**Recommendation**

To note the risk management report.

**Corporate and service priorities**

The report helps to meet the corporate priority “Value for money services”.

**Financial implications**

None

**Ward/s:** All wards

**Cabinet member:** Councillor Kendrick - Resources

**Contact officers**

Anton Bull, Director of Business Services 01603 212326

Duncan Wilkinson, Chief Internal Auditor, LGSS 01908 252089

Neil Hunter, Deputy Head of Internal Audit, LGSS 01223 715317

**Background documents**

None



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# **Risk Management Report**

## **Norwich City Council**

**Update to 23<sup>rd</sup> January 2019**

## 1 Risk Management Update

1. Norwich Council is currently in the process of refreshing Risk Management across the Council.
2. The purpose of this report is to provide an update on the current Risk Register, along with any outstanding actions, and to outline the progress made so far on the refresh of the Risk Management process and a revised Corporate Risk Register.
3. Under the current Risk Management Process, the Corporate Risk Register has a total of 16 Corporate Risks across the Council. All of these risks have controls and, where appropriate, action plans in place in order to mitigate the both the likelihood and the consequences of these Risks, a detailed overview of this Risk Register is attached at **Appendix A**.
4. Within this Risk Register, there are two outstanding actions across two different Risks:

<b>Risk</b>	<b>Action</b>	<b>Date</b>
A2. Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	Determine a new blue print or operating model to guide how the council works in future which reflects available resources	31/12/17

<b>Risk</b>	<b>Action</b>	<b>Date</b>
A4. Safeguarding children, vulnerable adults and equalities duties	Guidance will be provided for contract managers to ensure satisfactory performance for safeguarding and equality duties of key contractors, following the annual review of contract compliance. Audit of safeguarding performance of contractors not available to complete this action for 2017. The annual audit is being undertaken autumn-winter 2017 to inform a review of guidance required for contract managers	30/04/18

5. To facilitate a full refresh of the Risk Management process and corporate risk register, the Internal Audit Risk Management Team facilitated a Risk Workshop on 14<sup>th</sup> November 2018 with the Corporate Leadership Team. From the workshop, a new set of 7 Corporate Risks has been recommended, and owners have been allocated to each of these Risks. The list of the proposed Corporate Risks and the respective owners is detailed at **Appendix B**.

6. Following the Workshop, the Internal Audit Risk Management Team has created a draft summary document which detailed proposed triggers, consequences, controls and actions for the Corporate Risk Owners to adapt/develop as appropriate.
7. The next stages of the Risk Management refresh is for the Internal Audit Risk Management Team to schedule meetings with all of the Corporate Risk Owners in order to agree the full details of each risk and to get the Risk Management system, GRACE, fully populated and operational.
8. Once the Risk Management team has met with the Corporate Owners to agree the Corporate Risks, then meetings will be arranged with owners of the Directorate level risks to update the Directorate level risks to ensure that they align with the new Corporate Risks and to cascade down the refresh of the risk Registers throughout the Organisation.
9. For further detail on the Risk Management process, and the roles and responsibilities of key officers, the Norwich City Council Risk Management Customer Charter is attached at **Appendix C**.

## Integrated impact assessment



**NORWICH**  
City Council

The IIA should assess **the impact of the recommendation** being made by the report

### Report author to complete

<b>Committee:</b>	Cabinet
<b>Committee date:</b>	06/02/2019
<b>Director / Head of service</b>	Neil Hunter, LGSS
<b>Report subject:</b>	Risk Management
<b>Date assessed:</b>	23/01/2019

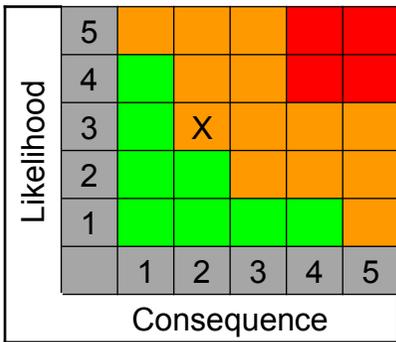
	Impact			
<b>Economic (please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
Finance (value for money)	X			
Other departments and services e.g. office facilities, customer contact	X			
ICT services	X			
Economic development	X			
Financial inclusion	X			
<b>Social (please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
Safeguarding children and adults	X			
<u>S17 crime and disorder act 1998</u>	X			
Human Rights Act 1998	X			
Health and well being	X			
<b>Equality and diversity (please add an 'x' as appropriate)</b>	<b>Neutral</b>	<b>Positive</b>	<b>Negative</b>	<b>Comments</b>
Relations between groups (cohesion)	X			

	Impact			
Eliminating discrimination & harassment	X			
Advancing equality of opportunity	X			
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	X			
Natural and built environment	X			
Waste minimisation & resource use	X			
Pollution	X			
Sustainable procurement	X			
Energy and climate change	X			
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management		X		

Recommendations from impact assessment	
<b>Positive</b>	
<b>Negative</b>	
<b>Neutral</b>	
<b>Issues</b>	



<b>Risk</b>	<b>A1. Customer Demand</b>
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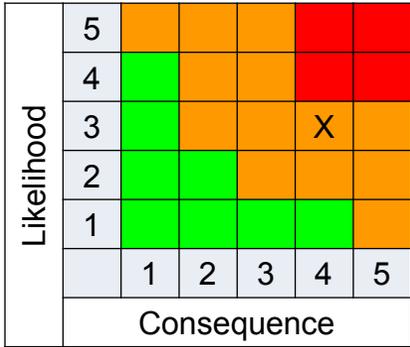
<b>Risk Owners</b>	<b>Current Score</b>	6	Last Review	02/08/2018
	<b>Target Score</b>		Next Review	30/11/2018
	<b>Previous Score</b>	6		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>	<b>Potential Consequences</b>	
1. Customer demand exceeds our capacity to deliver services as they are currently configured 2. Transfer of demand arising from service delivery changes or budget cuts by other public agencies 3. Excessive customer demand in key areas, particularly in relation to the need to cut services, or changes to policies e.g. council tax reduction scheme; universal credit			1. Unable to cope with demand 2. Complaints 3. Reputation damage 4. Increased homelessness risk to housing	

Controls	Adequacy	Critical Success
1. Proactive research on customer profile, forward planning, e.g. anticipating future events that will generate higher demand and use of data held to map and channel shift.	Good	
2. Data capture, consultation, survey and service planning.	Good	
3. Being robust about the role and responsibilities of Norwich City Council	Good	
4. Customer centre redesign	Good	
5. New 'self-serve' website including responsive forms, housing repairs diagnostics, customer portal, and full functionality on mobile devices	Good	

Action Plans	Responsibility	Target Date

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	1. To make Norwich a safe, clean and low-carbon city, 2. To make Norwich a prosperous and vibrant city, 3. To make Norwich a fair city , 4. To make Norwich a healthy city with good housing, 5. To provide value for money services

<b>Risk</b>	<b>A2. Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework</b>
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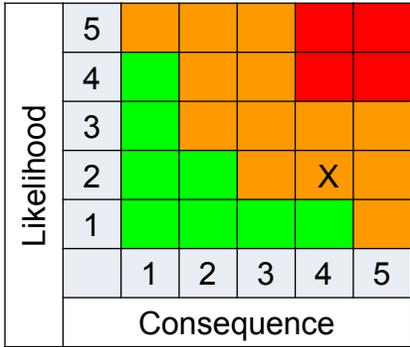
<b>Risk Owners</b>		Current Score	12	Last Review	02/08/2018
		Target Score		Next Review	30/11/2018
		Previous Score	12		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
<p>1. Corporate priorities are not on target to be delivered.</p> <p>The council has a clear set of corporate priorities within its corporate plan. Within the council's wider strategic framework, there are a number of key corporate strategies and policies which must be delivered across the organisation to realise the council's priorities e.g. environmental strategy, housing strategy etc</p> <p>Policy from the new government will be further changing the framework for local government and put new requirements on the council that must be met in a number of different areas. When this is combined with the very significant savings the council will need to make to meet the government funding reductions, there is a risk that these changes will reduce the capacity of the council to deliver on its key corporate priorities.</p>				<p>1. Key priorities for the city are not delivered</p> <p>2. Adverse public opinion</p> <p>3. Projects / work completed to a lower quality</p> <p>4. Negative impact on outcomes for citizens</p> <p>5. Negative performance ratings for the council</p> <p>6. Continual over-stretching of capacity</p>	

Controls	Adequacy	Critical Success
1. Regular review of corporate plan, medium term financial strategy and other key policies and strategies.	Good	
2. Effective performance and programme management	Good	
3. Corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities.	Good	
4. Effective preparation for changes in government policy.	Good	
5. Effective transformation programme to ensure savings are delivered.	Good	
6. The balance between the corporate plan and resources available is anticipated to shift over the coming years bringing significant challenges for the Council. As a result of the Council's Cabinet approved on 8th June 2016 the initiation of a process to: a) Work with partners in the public, private, voluntary and community sectors to develop a new city vision b) Develop a revised corporate plan, priorities and performance measures that reflects the council's part in supporting that vision c) Determine a new blue print or operating model to guide how the council works in future which reflects available resources	Good	

Action Plans	Responsibility	Target Date
Determine a new blue print or operating model to guide how the council works in future which reflects available resources.		31/12/2017

Risk Path:	Norwich City Council/Norwich City Council
Risk Category:	
Linked Objective(s):	1. To make Norwich a safe, clean and low-carbon city, 2. To make Norwich a prosperous and vibrant city, 3. To make Norwich a fair city, 4. To make Norwich a healthy city with good housing, 5. To provide value for money services

<b>Risk</b>	<b>A3. Relationship management with key service delivery partners and the management of contracts.</b>
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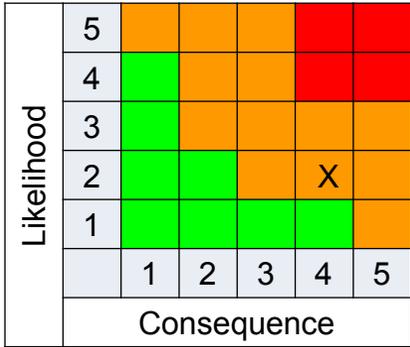
<b>Risk Owners</b>		<b>Current Score</b>	8	<b>Last Review</b>	02/08/2018
		<b>Target Score</b>		<b>Next Review</b>	30/11/2018
		<b>Previous Score</b>	8		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
1. Partnerships not managed effectively and key service outcomes not achieved. 2. Contracts not managed effectively, and key service outcomes not achieved..		The council has a number of key partnerships with LGSS, NPS Norwich, and NP Law. There is also a highways agency agreement with Norfolk County Council. This approach to service delivery requires a different managerial approach by the city council. The council also has a number of key contracts and partnerships which require strong, consistent procurement and client management.		1. The council doesn't get value for money 2. Benefits of partner and contract arrangements not realised 3. Constant negotiation around the service delivery agreement 4. Specification not adhered to 5. Services not provided at an acceptable level 6. Customer and staff complaints	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. Governance structure is in place to manage the individual partnership agreements (eg NPS Norwich Board, LGSS liaison group, NP Law Board, all major contracts have strategic and operational governance arrangements with officer and member representation.	Good	
2. In response to the council operating model training requirements have been reviewed and staffing structures refreshed to reflect this change.	Good	
3. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service..	Good	
4. Internal audit has reviewed arrangements to ensure that robust governance by client managers is in place for LGSS, nplaw, NPS Norwich, Norwich Norse (Environmental) and Norse Environmental Waste Service.	Good	
5. Regular reviews of joint ventures.	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	5. To provide value for money services

<b>Risk</b>	<b>A4. Safeguarding children, vulnerable adults and equalities duties</b>
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<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	1. To make Norwich a safe, clean and low-carbon city, 2. To make Norwich a prosperous and vibrant city, 3. To make Norwich a fair city, 4. To make Norwich a healthy city with good housing, 5. To provide value for money services

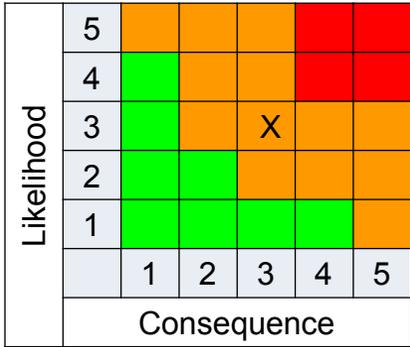
<b>Risk Owners</b>	<b>Current Score</b>	8	<b>Last Review</b>	02/08/2018
	<b>Target Score</b>		<b>Next Review</b>	30/11/2018
	<b>Previous Score</b>	8		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>	<b>Potential Consequences</b>	
<p>1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners.</p> <p>2. Continued change in council service delivery model with an increase in the number of partnership arrangements is likely to require new arrangements for the delivery of safeguarding and equalities duties.</p> <p>3. Impact of cuts on care services and benefit funding.</p> <p>4. Critical incident</p> <p>5. Change in contractor/ commissioned service/partner</p> <p>6. Reduced service provision</p> <p>7. Not being able to attract staff with diverse abilities and backgrounds</p> <p>8. Reviews of safeguarding at Norfolk County Council found a number of significant issues, which increases the risks for partner organisations</p>			<p>1. Vulnerable adults and children at greater risk of exclusion or harm</p> <p>2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion</p> <p>3. Risk of judicial review on accessibility of services</p> <p>4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation</p> <p>5. NCC's reliance on systems at Norfolk and impact on Norwich City Council if these are inadequate</p>	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>
Guidance will be provided for contract managers to ensure satisfactory performance for safeguarding and equality duties of key contractors, following the annual review of contract compliance. Audit of safeguarding performance of contractors not available to complete this action for 2017. The annual audit is being undertaken autumn-winter 2017 to inform a review of guidance required for contract managers"		30/04/2018

<b>Risk</b>	<b>A4. Safeguarding children, vulnerable adults and equalities duties</b>
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<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
01. Safeguarding policy and procedures in place and reviewed annually through safeguarding group.	Good	
02. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/ awareness sessions are held.	Good	
03. Equalities duties overseen by BMG	Good	
04. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service and particularly in relation to safeguarding	Good	
05. Equality training undertaken for all staff and managers	Good	
06. Mental health training provided for employees	Good	
07. Safeguarding training provided to all staff.	Good	
08. Safeguarding guidance provided to all councillors	Good	
09. External reviews of the council's approach through the annual self-assessment against Sec.11 of Children Act 2014, then challenge sessions with chair of Norfolk Safeguarding Children Board (NSCB)	Good	
10. NCC plays full part in Norfolk Public Protection Forum	Good	
11. NCC chief executive chairs Community Safety Partnership linking to domestic abuse across the county	Good	
12. Constantly monitoring outcomes from serious case reviews (children adult and domestic abuse) and ensure any recommendations are actioned.	Good	

<b>Risk</b>	<b>A6. Delivery of Joint Core Strategy (JCS)</b>
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<b>Risk Owners</b>		<b>Current Score</b>	9	<b>Last Review</b>	02/08/2018
		<b>Target Score</b>		<b>Next Review</b>	30/11/2018
		<b>Previous Score</b>	9		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
<p>Delivery of the JCS may be jeopardised by:</p> <ol style="list-style-type: none"> <li>1. Markets failing to deliver on preferred development sites identified for housing</li> <li>2. Changing approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (i.e. up to 2026).</li> <li>3. Failure to deliver the infrastructure required to support development</li> <li>4. The council increasingly relies on income from NNDR (business rates). This may be at risk if other councils allow commercial developments on the edge of the city but outside the boundary or the number of commercial premises in the City reduce.</li> <li>5. Partners across the Greater Norwich area not working effectively together because of conflicting priorities</li> </ol>				<ol style="list-style-type: none"> <li>1. Reputation damage</li> <li>2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered</li> </ol>	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infrastructure to support growth.	Good	
1. Ensuring that strategies being prepared with GNGB colleagues are as robust as possible and firmly grounded in reliable evidence.	Good	
2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the agreed policy framework.	Good	
3. All policy work is supported by comprehensive and up-to-date evidence in accordance with government guidelines.	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	2. To make Norwich a prosperous and vibrant city,, 4. To make Norwich a healthy city with good housing,

Likelihood	5				X/T	
	4					
	3					
	2					
	1					
		1	2	3	4	5
Consequence						

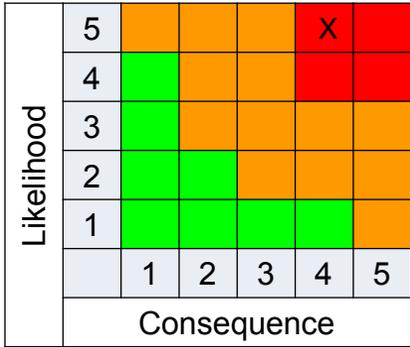
<b>Risk Owners</b>	<b>Current Score</b>	20	Last Review	02/08/2018
	<b>Target Score</b>	20	Next Review	30/11/2018
	<b>Previous Score</b>	15		
<b>Triggers</b>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
1. Reduction in rental income arising from: • compulsory 1% reduction in social housing rent for next four years wef April 2016 • higher level of council house sales due to improved incentives • increasing debt or other factors 2. Impact of determination to fund RTB for Registered Providers 3. Significant increase in the cost of delivering improvement works 4. Failure to deliver by contractors 5. Changes to housing finance within the Housing and Planning Bill	As part of the reform of the HRA the council has taken on a substantial debt to replace the former negative housing subsidy system. This debt is currently planned to be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme. However, recent developments in welfare and housing legislation require rent reductions and the prospect of paying an annual determination which will impact significantly on the levels of funding available for stock investment and improvement.		1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to be able to maintain the Norwich Standard. 3. Lack of resources to support a new build programme. 4. Requirement to sell off stock to fund determination 5. Reduced tenant satisfaction 6. Need to re-programme the housing investment plan	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
4. Effective contract management	Good	
1. Regular review of HRA business plan and housing investment plan to reflect financial position of the HRA. In particular we await indicative figures for the annual determination which is likely to require further reworking of the HRA business plan and changes to planned levels of spend	Good	
2. The timescale for delivering the Norwich Standard to all properties and the level of spend on the routine maintenance/replacement programme together with the delivery of any agreed new build programme.	Good	
3. Regular review of key projects.	Good	
5. Work with Registered Providers to maximise use of retained Right to Buy receipts for the development of new social housing where spend by the Council is not possible.	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	Buildings Community New Government Policy and Expectations Budgets Repair & Regeneration
<b>Linked Objective(s):</b>	4. To make Norwich a healthy city with good housing

<b>Risk</b>	<b>B1. Public sector funding</b>
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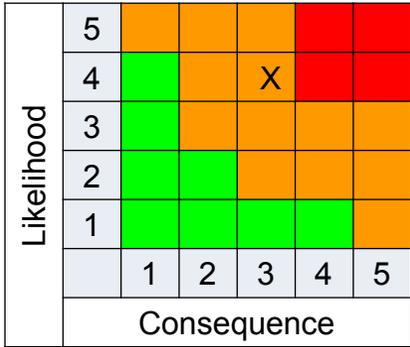
<b>Risk Owners</b>	<b>Current Score</b>	20	<b>Last Review</b>	02/08/2018
	<b>Target Score</b>		<b>Next Review</b>	30/11/2018
	<b>Previous Score</b>	20		
<b>Triggers</b>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
<ul style="list-style-type: none"> <li>1. Reduction in rental income arising from: <ul style="list-style-type: none"> <li>• compulsory 1% reduction in social housing rent for next four years wef April 2016</li> <li>• higher level of council house sales due to improved incentives</li> <li>• increasing debt or other factors</li> </ul> </li> <li>2. Impact of determination to fund RTB for Registered Providers</li> <li>3. Significant increase in the cost of delivering improvement works</li> <li>4. Failure to deliver by contractors</li> <li>5. Changes to housing finance within the Housing and Planning Bill</li> </ul>			<ul style="list-style-type: none"> <li>1. Failure to deliver the Norwich Standard within the expected timescale</li> <li>2. Lack of resources to be able to maintain the Norwich Standard.</li> <li>3. Lack of resources to support a new build programme.</li> <li>4. Requirement to sell off stock to fund determination</li> <li>5. Reduced tenant satisfaction</li> <li>6. Need to re-programme the housing investment plan</li> </ul>	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation.	Good	
2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated.	Good	
3. Weekly review by CLT of government announcements to assess implications and response required.	Good	
4. Keep service design under review	Good	
5. Continual review of financial position by the council and major partners	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	1. To make Norwich a safe, clean and low-carbon city, 2. To make Norwich a prosperous and vibrant city, 3. To make Norwich a fair city, 4. To make Norwich a healthy city with good housing, 5. To provide value for money services

<b>Risk</b>	<b>B2. Income generation</b>
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<b>Risk Owners</b>		<b>Current Score</b>	12	Last Review	02/08/2018
		<b>Target Score</b>		Next Review	30/11/2018
		<b>Previous Score</b>	12		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>	<b>Potential Consequences</b>		
<p>1. Further economic decline.                  2. Under-utilisation of assets                  3. CIL (community infrastructure levy) income is below expectations.                  4. Collapse in world markets leading to loss of income                  5. Low economic growth or recession reduces income                  6. Other triggers:                  a) Bethel St Police Station – market value payment                  b) Triennial pensions review.                  c) VAT partial exemption.                  d) Variable energy prices.                  e) Increasing voids due to market and economy factors.                  f) Loss of major tenant.                  g) GNGP board decision or cabinet decision on CIL investment arrangements.                  h) The council increasingly relies on income from NNDR (business rates). This is a volatile income stream and may be at risk from changes to Government policy around planning and if other councils allow commercial developments on the edge of the city but outside the boundary. The move to 100% Local Authority retention of business rates by 2020 will also transfer the risks entirely to the LAs                  i) Lack of experience in some services for generating income</p>			<p>1. Inability to raise capital receipts                  2. Impact on balancing the budget – significant change and financial savings required.                  3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels                  4. Unable to make saving within the required timescales                  5. Erosion of reserves                  6. Major financial problems                  7. Reputation damage                  8. Govt intervention                  9. Council loses critical mass in key areas                  10. Service failures                  11. Potential disproportionate impact on the poorest and most vulnerable members of society                  12. Damage/costs across void portfolio                  13. Essential infrastructure to deliver growth in the GNGP area is delayed.</p>		

Action Plans	Responsibility	Target Date

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	1. To make Norwich a safe, clean and low-carbon city, 2. To make Norwich a prosperous and vibrant city, 3. To make Norwich a fair city , 4. To make Norwich a healthy city with good housing, 5. To provide value for money services

<b>Risk</b>	<b>B2. Income generation</b>
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<b>Likelihood</b>	5					
	4			X		
	3					
	2					
	1					
		1	2	3	4	5
<b>Consequence</b>						

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation.	Good	
2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated.	Good	
3. HRA business plan kept under review.	Good	
4. GNGP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme.	Good	
5. Clear strategy for investment	Good	
6. Commercial skills training provided to all Heads of Service	Good	
7. Element of CIL programme controlled by Norwich prioritised and caution taken to ensure spend not incurred until monies certain to be received.	Good	
8. Independent review of income generation opportunities completed Spring 2016 and options built in to the transformation programme	Good	

<b>Risk</b>	<b>B3. Level of reserves</b>
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<b>Likelihood</b>	5					
	4					
	3					
	2			X		
	1					
		1	2	3	4	5
	<b>Consequence</b>					

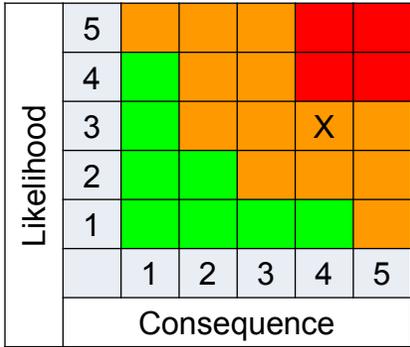
<b>Risk Owners</b>	<b>Current Score</b>	6	Last Review	24/02/2017
	<b>Target Score</b>		Next Review	31/03/2017
	<b>Previous Score</b>	6		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>
1. Government policy. 2. Economic climate 3. Reserves fall below acceptable levels		The council has a legal duty to ensure it has a prudent level of reserves to conduct its business		1. Inadequate levels of reserves publicly reported by external auditors 2. Government intervention 3. Impact on reputation of the council

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. Medium term financial strategy (MTFS).	Good	
2. Development of the 5-year corporate plan and transformation programme in conjunction with the MTFS.	Good	
3. HRA Business Plan.	Good	
4. Planning and delivery of transformation (savings and income generation) programme	Good	
5. Contract and business relationship management to identify and respond to business delivery risks.	Good	
6. Budget development, in-year monitoring and control	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	1. To make Norwich a safe, clean and low-carbon city, 2. To make Norwich a prosperous and vibrant city, 3. To make Norwich a fair city 4. To make Norwich a healthy city with good housing, 5. To provide value for money services

<b>Risk</b>	<b>B4. Capital developments</b>
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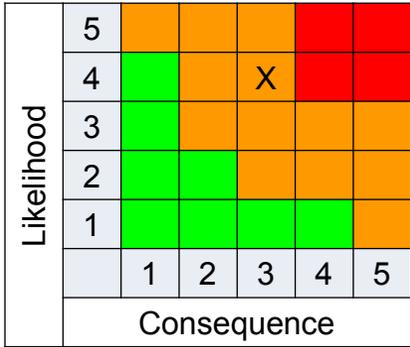


<b>Risk Owners</b>		<b>Current Score</b>	12	<b>Last Review</b>	24/02/2017
		<b>Target Score</b>		<b>Next Review</b>	31/03/2017
		<b>Previous Score</b>	12		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
<ol style="list-style-type: none"> <li>1. Housing / other developments may take longer to proceed than planned.</li> <li>2. Housing / other developments may cost more than planned.</li> <li>3. Interest rates on debt may rise beyond projections.</li> <li>4. Developments may not generate planned levels of income.</li> <li>5. Asset sales may not be sufficient to fund major repairs</li> </ol>				<ol style="list-style-type: none"> <li>1. Delay in income streams may put pressure on revenue budgets.</li> <li>2. Reduced net revenue contribution from developments.</li> <li>3. May put pressure on revenue budgets / reserves to service debts</li> <li>4. Pressure on capital budgets</li> </ol>	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated.	Good	
2. HRA Business Plan.	Good	
3. Capital Management Group set up and reporting quarterly to CLT	Good	
4. Business cases for individual investments and continual review of investments	Good	
5. Balanced risk profile	Good	
6. Business plan for new housing development company approved by cabinet	Good	
7. Housing company's own risk register	Good	
8. Continuity policy to only commit spend once resources are available	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>
<b>Risk Path:</b>	Norwich City Council/Norwich City Council	
<b>Risk Category:</b>		
<b>Linked Objective(s):</b>	<ol style="list-style-type: none"> <li>1. To make Norwich a safe, clean and low-carbon city,</li> <li>2. To make Norwich a prosperous and vibrant city,</li> <li>3. To make Norwich a fair city</li> <li>4. To make Norwich a healthy city with good housing,</li> <li>5. To provide value for money services</li> </ol>	

<b>Risk</b>	<b>C1. Emergency planning and business continuity</b>
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<b>Risk Owners</b>		<b>Current Score</b>	12	<b>Last Review</b>	02/08/2018
		<b>Target Score</b>		<b>Next Review</b>	30/11/2018
		<b>Previous Score</b>	12		
	<b>Triggers</b>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
	<p>Occurrence of a significant event:</p> <ul style="list-style-type: none"> <li>• Loss of City Hall</li> <li>• ICT failure</li> <li>• Contractor collapse</li> <li>• Severe weather events – storms, heatwaves, strong winds</li> <li>• Flooding</li> <li>• Sea level rise</li> <li>• Fuel shortages</li> <li>• Communications failure</li> <li>• Pandemic</li> <li>• Loss of power</li> </ul> <p>The council, businesses and members of the public in the city will also be at risk from the local effects of climate change in the medium to long term.</p>	<p>"The council delivers a range of complex services to vulnerable elements of the community.</p> <p>Organisations generally are experiencing significant continuity events once every five years on average</p>		<ol style="list-style-type: none"> <li>1. Service disruption and inability to deliver services</li> <li>2. Disruption of the delivery of goods and services to the council</li> <li>3. Increased requests for council resources and services</li> <li>4. Health and safety impact on staff and vulnerable residents</li> <li>5. Damage to council property and impact on tenants</li> <li>6. Reputation damage</li> <li>7. Years to recover</li> </ol>	

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	<ol style="list-style-type: none"> <li>1. To make Norwich a safe, clean and low-carbon city,</li> <li>2. To make Norwich a prosperous and vibrant city,</li> <li>3. To make Norwich a fair city</li> <li>4. To make Norwich a healthy city with good housing,</li> <li>5. To provide value for money services</li> </ol>

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

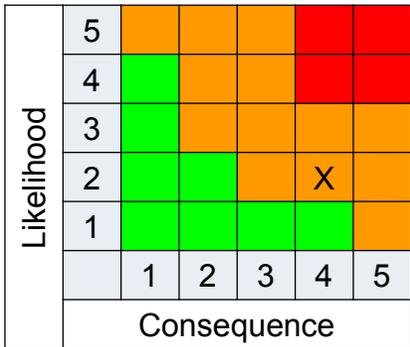
**Risk**

**C1. Emergency planning and business continuity**

Likelihood	5					
	4			X		
	3					
	2					
	1					
		1	2	3	4	5
	Consequence					

Controls	Adequacy	Critical Success
01. The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register	Good	
02. Business continuity team with access to resources; action plans have been used to deal with actual total City Hall IT failure; alternative site for customer contact team; disaster recovery plan and the use of Blackberries for communications.	Good	
03. The council has a major emergency management strategy and emergency planning room established at City Hall. Approach has also been used to test business continuity in the event of the main works contractor changing.	Good	
04. Flu pandemic plan.	Good	
05. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy, together with service plans.	Good	
06. A new business continuity management policy and framework was approved by cabinet 25 June 2014.	Good	
07. A business impact analysis for each service is signed off by the head of service and executive head of service.	Good	
08. Business continuity steering group chaired by the D-BS.	Good	
09. Overall business continuity plan reviewed by CLT.	Good	
10. Periodic business continuity exercises, and lessons learnt communicated through BMG.	Good	

<b>Risk</b>	<b>C2. ICT Strategy</b>
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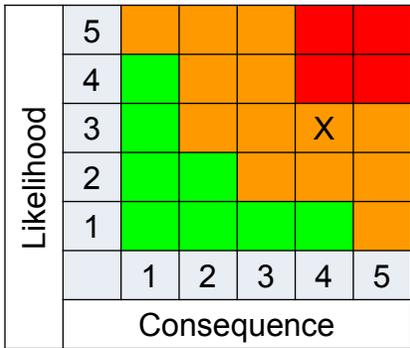
<b>Risk Owners</b>	<b>Current Score</b>	8	Last Review	02/08/2018
	<b>Target Score</b>		Next Review	30/11/2018
	<b>Previous Score</b>	8		
<b>Triggers</b>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	
1. ICT strategy fails to support the organisation moving forward and the blueprint for a new council	The council has transferred its ICT service to LGSS. The ICT Programme Board works alongside LGSS to keep up to date the ICT strategy for the council		<ol style="list-style-type: none"> <li>1. Incoherent approach to ICT systems</li> <li>2. Systems not customer friendly</li> <li>3. Systems are not integrated with one another</li> <li>4. Drain on resources as staff work around the systems</li> <li>5. Lack of accuracy in key data</li> <li>6. Data are unreliable</li> <li>7. Key information not trusted</li> <li>8. Hinders management and service improvements</li> <li>9. Failure to deliver council priorities</li> </ol>	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change	Good	
2. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered	Good	
3. The council has an ICT Programme Board, attended by LGSS IT.	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	<ol style="list-style-type: none"> <li>1. To make Norwich a safe, clean and low-carbon city,</li> <li>2. To make Norwich a prosperous and vibrant city,</li> <li>3. To make Norwich a fair city</li> <li>4. To make Norwich a healthy city with good housing,</li> <li>5. To provide value for money services</li> </ol>

<b>Risk</b>	<b>C3. Information security</b>
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<b>Risk Owners</b>		<b>Current Score</b>	12	Last Review	03/08/2018
		<b>Target Score</b>		Next Review	30/11/2018
		<b>Previous Score</b>	12		
<b>Triggers</b>	<ol style="list-style-type: none"> <li>1. Sensitive and/or personal data is sent to the incorrect recipient or not kept securely, or is lost</li> <li>2. Data is emailed to insecure email addresses.</li> <li>3. Lap top or memory stick containing data is lost or stolen.</li> <li>4. Information is sent to incorrect addresses.</li> <li>5. External malicious attack (hacking)</li> <li>6. Hard copy data is lost or stolen"</li> </ol>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	<ol style="list-style-type: none"> <li>1. Fine up to £0.5 million</li> <li>2. Potential harm to data subjects through loss, release or corruption of personal data</li> <li>3. Reputational risk</li> </ol>

Controls	Adequacy	Critical Success
01. Regularly remind all managers, employees and members of their responsibilities for the use of and security of data.	Good	
02. Prohibit using mobile devices to store or process sensitive or personal data unless device is encrypted.	Good	
03. Encrypt lap tops and data sticks when they are used to store or process sensitive or personal data.	Good	
04. Proper disposal of confidential waste.	Good	
05. Updated IT User Security policy issued April 2015 to all staff and other people who access the councils systems (e.g. partners, contractors etc.)	Good	
06. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance	Good	
07. The council has an ICT programme board, attended by LGSS IT.	Good	
08. Corporate information assurance group	Good	
09. Annual security report from LGSS IT	Good	
10. Information risk policy and risk assessment	Good	
11. Business continuity and disaster recovery arrangements	Good	
12. Incident response plan and lessons learned	Good	
13. Horizon scanning for potential legislative change, such as the EU General Data Protection Regulation (GDPR)	Good	

Action Plans	Responsibility	Target Date

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	5. To provide value for money services

<b>Risk</b>	<b>C4. Failure of major contractor or legal challenge following an unsuccessful tender bid</b>
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<b>Likelihood</b>	5					
	4					
	3			X		
	2					
	1					
		1	2	3	4	5
<b>Consequence</b>						

<b>Risk Owners</b>		<b>Current Score</b>	9	<b>Last Review</b>	03/08/2018
		<b>Target Score</b>		<b>Next Review</b>	30/11/2018
		<b>Previous Score</b>	9		
<b>Triggers</b>	<ol style="list-style-type: none"> <li>The council has a number of key contractors who may be vulnerable to market and economy factors.</li> <li>In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload</li> <li>Key contractor goes into administration or an injunction is issued preventing the award of a new contract</li> </ol>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	<ol style="list-style-type: none"> <li>Customer and staff complaints</li> <li>Services not delivered</li> <li>Contingency plans have to be invoked</li> <li>Cost and time to retender contract</li> <li>Cost and time to defend legal challenge</li> <li>Additional unforeseen costs impact delivery of balanced outturn and reserve levels</li> </ol>

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested.	Good	
2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice.	Good	
3. NPS JV extended to include works division. This arrangement enables the JV to carry out work that was previously contracted to private sector. This approach is in line with the Council's operating model. This provides enhanced security over the supplier and increased direct control by the council.	Good	
4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves	Good	
5. More use of shared services reduces size and scope of contracts with private sector providers (eg ICT)	Good	
6. Increased use of framework contracts increases resilience against contractor failure.	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>
<b>Risk Path:</b>	Norwich City Council/Norwich City Council	
<b>Risk Category:</b>		
<b>Linked Objective(s):</b>	5. To provide value for money services	

<b>Risk</b>	<b>C5. Fraud and corruption</b>
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<b>Likelihood</b>	5					
	4					
	3					
	2			X		
	1					
		1	2	3	4	5
<b>Consequence</b>						

<b>Risk Owners</b>		<b>Current Score</b>	6	Last Review	03/08/2018
		<b>Target Score</b>		Next Review	30/11/2018
		<b>Previous Score</b>	6		
<b>Triggers</b>	<ol style="list-style-type: none"> <li>1. Poor internal controls</li> <li>2. Lack of guidance or policies</li> <li>3. Failure in internal control.</li> <li>4. Discovery of fraudulent acts.</li> <li>5. Allegations received.</li> <li>6. Member of staff or councillor breaks the law.</li> </ol>	<b>Likelihood Factors (Vulnerability)</b>		<b>Potential Consequences</b>	<ol style="list-style-type: none"> <li>1. Loss of income or assets</li> <li>2. Negative public opinion</li> <li>3. Effect on use of resources</li> <li>4. Increased costs of external audit</li> <li>5. Cost of investigation and rectifying weaknesses</li> <li>6. Prison</li> </ol>

Controls	Adequacy	Critical Success
01. Internal audit	Good	
02. Anti-fraud and corruption policy	Good	
03. Payment Card Industry security assessment to protect card payments	Good	
04. National Fraud Initiative	Good	
05. Whistleblowing policy	Good	
06. Review and update as necessary policies and procedures.	Good	
07. Assess risk of bribery, train staff and monitor and review procedures.	Good	
08. Robust procurement procedures, e-tendering portal and governance by the procurement team	Good	
09. Delegation procedures	Good	
10. Money laundering policy	Good	

Action Plans	Responsibility	Target Date

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	5. To provide value for money services

<b>Risk</b>	<b>D1. Industrial action</b>
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<b>Likelihood</b>	5					
	4					
	3		X			
	2					
	1					
		1	2	3	4	5
	<b>Consequence</b>					

<b>Risk Owners</b>	<b>Current Score</b>	6	Last Review	03/08/2018
	<b>Target Score</b>		Next Review	30/11/2018
	<b>Previous Score</b>	6		
<b>Triggers</b>		<b>Likelihood Factors (Vulnerability)</b>	<b>Potential Consequences</b>	
<ol style="list-style-type: none"> <li>Changes to pension regulations and pay restraint and changes to terms and conditions could lead to industrial action by employees</li> <li>National negotiating framework - failure to agree.</li> <li>Ballot of union members.</li> <li>Implementation of changes to the LGPS.</li> <li>Implementation of government interventions on pay</li> </ol>			<ol style="list-style-type: none"> <li>Loss of key services</li> <li>Public safety</li> <li>Loss of income</li> <li>Reputation</li> </ol>	

<b>Controls</b>	<b>Adequacy</b>	<b>Critical Success</b>
1. 2 stages – managing the threat of industrial action and responding to industrial action Identify and agree with UNISON exemptions from strike action	Good	
2. Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met	Good	
3. CLT agree and implement strategy for response to strike action ie assessing the scale of the action, communications, response depending on nature of the action, wider industrial relations implications, deductions from pay etc	Good	
4. National and regional guidance	Good	
5. Statutory immunities – Trade Union Labour Relations (Consolidation) Act	Good	
6. Well embedded business continuity and industrial action plans	Good	

<b>Action Plans</b>	<b>Responsibility</b>	<b>Target Date</b>

<b>Risk Path:</b>	Norwich City Council/Norwich City Council
<b>Risk Category:</b>	
<b>Linked Objective(s):</b>	<ol style="list-style-type: none"> <li>To make Norwich a safe, clean and low-carbon city,</li> <li>To make Norwich a prosperous and vibrant city,</li> <li>To make Norwich a fair city,</li> <li>To make Norwich a healthy city with good housing,</li> <li>To provide value for money services</li> </ol>



### New Corporate Risk Register, as agreed at Corporate Leadership Team 14 November 2018

	Risk	Responsible Officer
1	Failure to fulfil statutory or legislative responsibilities, including safeguarding.	Director of neighbourhoods (Bob Cronk)
2	Failure to deliver corporate plan objectives: <ul style="list-style-type: none"> <li>• Great neighbourhoods housing and local environments;</li> <li>• Inclusive economy</li> <li>• Live well</li> </ul>	Chief executive officer (Laura McGillivray)
3	Failure to deliver responsive financial planning	Chief finance officer (Karen Watling)
4	Failure to change at the pace required and adapt to change.	Head of strategy and transformation (Helen Chamberlain)
5	Failure to deliver services with/from partners.	Director of business services (Anton Bull)
6	Lack of adequate skills and capacity.	Head of HR and learning (Dawn Bradshaw)
7	Major risks/emergency planning.	Director of business services (Anton Bull)



Norwich City Council exists to help the people of the County to help themselves and to act as a safety net for the most vulnerable. The Council seeks to ensure that services delivered, either directly or through others, are of a high quality, provide value for money and meet evidenced need.

“A risk is an **uncertain** event which, should it occur will have an effect on the achievement of objectives.”

Risk Management is the identification, assessment and prioritisation of risks followed by:

- the coordinated and economical application of resources to minimise, monitor and control the probability or impact of unfortunate events / threats; AND
- to maximise the realisation of opportunities.

Dates for reporting and review of Corporate and Directorate Risk Registers to CLT:

Dates for reporting to NoCC Audit Committee:

## LGSS Risk Management Customer Charter

Good Risk Management helps an organisation understand the threats to and how opportunities can be exploited to achieve its objectives.

The LGSS Risk Service seeks to help the Council ensure its most significant risks are being proactively managed and agreed action is taken.

**LGSS Risk Management will:**

- Support and train NoCC staff to effectively use GRACE as the designated risk management tool and aide their understanding of risks and mitigations;
- Provide advice on the adequacy of controls in place to manage risks (control environment);
- Horizon scan for emerging risks;
- Support the full review of risks (through Management Teams) is undertaken on a quarterly basis at all levels of management to ensure:
  - All key risks are included
  - minor / non-relevant risks are closed
  - actions and controls are agreed
  - risk scores are accurate and relevant, e.g. to reflect completed actions
- Consider the risk action plans and their implementation as part of their challenge and highlight missed / overdue actions;
- Present a report to, and attend, CLT each quarter:
  - To summarise DMT risk information, and
  - support a review of Strategic risk by CLT
- Prepare Quarterly reports for the Audit Committee and Cabinet summarising the key Risk Register information;
- Undertake an annual review of the Risk Management Framework and Strategy including an annual report on Risk Management;
- Facilitate Risk Identification Workshops.

The Risk Team will not 'audit' the compliance with the control environment to ensure independence is maintained and the Risk service cannot own NoCC risks nor their controls / mitigations.

**NoCC CLT will:**

- Own and lead the corporate risk management process including providing for sufficient time annually to undertake a full review of Strategic Risks and Risk Management framework etc;
- Review Strategic risks on a quarterly basis providing for sufficient time to properly consider emerging risks etc;
- Review their significant directorate risks on a quarterly basis and escalate to Corporate level if necessary;
- Receive urgent risk reports as necessary;
- Ensure risk is given due consideration in all management processes.

**NoCC Chief Finance Officer will:**

Champion and take overall responsibility for seeking to ensure that effective risk management processes operate throughout the Council.

**NoCC Executive Heads and Heads of Service will:**

- Take personal ownership of those assigned Strategic Risk on behalf of CLT
- Review directorate risk registers on a quarterly basis through their Management Team;
- Ensure that risk is given due consideration in all management processes;
- Ensure that risks identified within their directorate are managed at an appropriate level, including escalation to corporate level where appropriate;
- Provide the Chief Executive and Leader with an assurance statement as to how risk is being managed as a contribution to the preparation of the Annual Governance Statement.

**Report to** Audit Committee  
12 March 2019  
**Report of** Chief Internal Auditor, LGSS  
**Subject** Draft Internal Audit Plan for Norwich City Council 2019-20

**Item**

**6**

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**Purpose**

This report provides the audit committee with an outline of the 2019-20 Internal Audit Plan for Norwich City Council as attached at appendix 1.

**Recommendation**

To endorse the draft Internal Audit Plan for Norwich City Council.

**Corporate and service priorities**

The report helps to meet the corporate priority value for money services

**Financial implications**

None

**Ward/s:** All Wards

**Cabinet member:** Councillor Kendrick - Resources

**Contact officers**

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**Background documents**

None



# 1. THE INTERNAL AUDIT PLAN 2019-20

## 1.1 BACKGROUND

CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013. The PSIAS set out the standard for internal audit across the public sector.

The principles in the PSIAS are consistent with the previous CIPFA code of practice for internal audit which applied across local government. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'; for the purposes of the key duties laid out in the PSIAS, the Audit Committee is effectively the 'Board' for the Council.

Under the Local Government Act, the Council's Section 151 officer is responsible for ensuring that there are arrangements in place for the proper administration of the Authority's financial affairs. The work of Internal Audit is therefore directly relevant to these responsibilities.

## 1.2 AUDIT PLANNING

PSIAS Performance Standard 2010 – *Planning* states that:

*“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.”*

The standards refer to the need for the risk-based plan to consider the organisation's risk management framework, and to take into account the requirement to produce an annual internal audit opinion and the assurance framework.

Within the Council, the Chief Audit Executive is the Chief Internal Auditor, for the purposes of the PSIAS. Performance Standard 2450 – *Overall Opinions* states that:

*“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.”*

The risk-based plan therefore needs to include an appropriate and comprehensive range of work which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by the Audit Committee. The Chief Internal Auditor will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan.

## 1.3 THE PLANNING PROCESS

The plan is based on assurance blocks that each provides an opinion over key elements of the control environment, targeted towards in-year risks, rather than a more traditional cyclical approach examining each system over a number of years. For each assurance block, the most appropriate level of coverage necessary to provide an effective annual assurance opinion and added value to the organisation has been developed.

The audit plan is intended to remain dynamic in nature and will be reviewed and re-aligned on a regular basis to take account of new, emerging and changing risks and priorities. Resources will then be re-prioritised towards the areas of highest risk. The audit plan will be reported to Audit Committee every quarter, and should be reviewed and robustly challenged by the Corporate Leadership Team, the S151 Officer and the Audit Committee.

In order to develop the audit plan, there must be a sound understanding of the risks facing the Council. The Internal Audit risk assessment of the authority is updated during the year and used to form the basis of the Internal Audit plan, alongside the Corporate Risk Register. Internal Audit has also engaged with members of senior management to ensure that known and emerging risks are considered in annual audit planning.

#### **1.4 THE ANNUAL PLAN**

The Internal Audit Plan for the next year must be sufficiently flexible to enable assurance to be obtained over current risk areas, as well as emerging risks, and those risks which are yet to be identified.

Inevitably, the potential for risks is increased during periods of change. For instance, reductions or high levels of turnover in the workforce provide an opportunity for controls to break down – as well as an opportunity to consider new and more efficient ways of organising people, systems and processes, without adversely impacting internal control. To reflect this risk, the Audit Plan contains an allocation of time for advice and guidance. Reviews of the key financial systems and compliance audits will provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error. Maintaining a well communicated anti-fraud framework with clear guidance to encourage whistleblowing remains critical to good governance.

The Audit Plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years audit coverage is intended to ensure stakeholders receive a valuable assurance and that the audit service tangibly adds value to the organisation.

Maintaining an Audit Plan which is dynamic, challenging and prioritised based on the organisation's risks is not a new concept; however, in the current environment it is ever more critical if Internal Audit is to help the Council to respond effectively to the scale of change required in 2019/20 and beyond.

#### **1.5 HOW ASSURANCE CAN BE GIVEN**

As detailed above, the plan is split into both assurance blocks and directorate areas for ease of understanding as well as to demonstrate how assurance on the organisation's control environment can be given. There are a number of key assurance blocks:

##### **1.5.1 Anti-Fraud and Corruption**

Allocation of time for risk assessment and investigation of fraud and theft referrals. Should significant fraud be identified in-year management will be consulted as to the best way to investigate as well as, where appropriate, how to improve the control environment to reduce the risk of re-occurrence. The National Fraud Initiative is a national data

matching exercise & internal audit will coordinate the data cut on behalf of Norwich City Council.

### 1.5.2 Key Financial Systems

This is the traditional area of internal audit work, required by external audit, and very much focuses on providing the Section 151 officer and the Chief Internal Auditor assurance that “the Council has made arrangements for the proper administration of its financial affairs.” These systems are agreed in advance with External Audit and are generally used as the basis by which External Audit are able to place reliance on Internal Audit work. These are generally the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.

### 1.5.3 Risk Management

Assurance over the Council's risk management framework in addition to support, advice and facilitation of strategic risk management processes.

### 1.5.4 Risk Based Audits and Director Requests

These are areas of risk specifically identified by key officers during the consultation process and have been requested to be included in the 2019/20 Audit Plan. This block also includes areas where the Audit Committee require additional assurances. Assurance over key organisational risks and requests for specific audit reviews by individual Directors will not only give directors the assurance they have requested but will support the annual Head of Internal Audit opinion across the control environment.

### 1.5.5 Key Policies and Procedures

Effective policies and procedures drive the culture and risk appetite of the organisation and ensure key control principles are captured. Internal Audit will give assurance on the framework that policies and procedures are appropriately reviewed to ensure these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved. Each audit undertaken should similarly review the current policies and procedures in the area being covered.

### 1.5.6 Compliance

Compliance work is fundamental as it provides assurance across all service areas and therefore supports the Chief Internal Auditor opinion on the control environment. The proposed coverage for compliance is underpinned by an assessment of the Council's framework of controls (informed by policies and procedures) and includes those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether the critical controls within the key policies and procedures are being routinely complied with in practice. This work will continue to challenge the existing controls to ensure that they are modern, effective and proportionate.

### 1.5.7 ICT and Information Governance

The ICT assurance block includes reviews of key ICT risk areas – major ICT failure and ICT strategy.

### 1.5.8 Governance

This type of work is mainly attendance at key project boards or governance groups when the audit role is that of advice and support as requested.

### 1.5.9 Grant Assurance

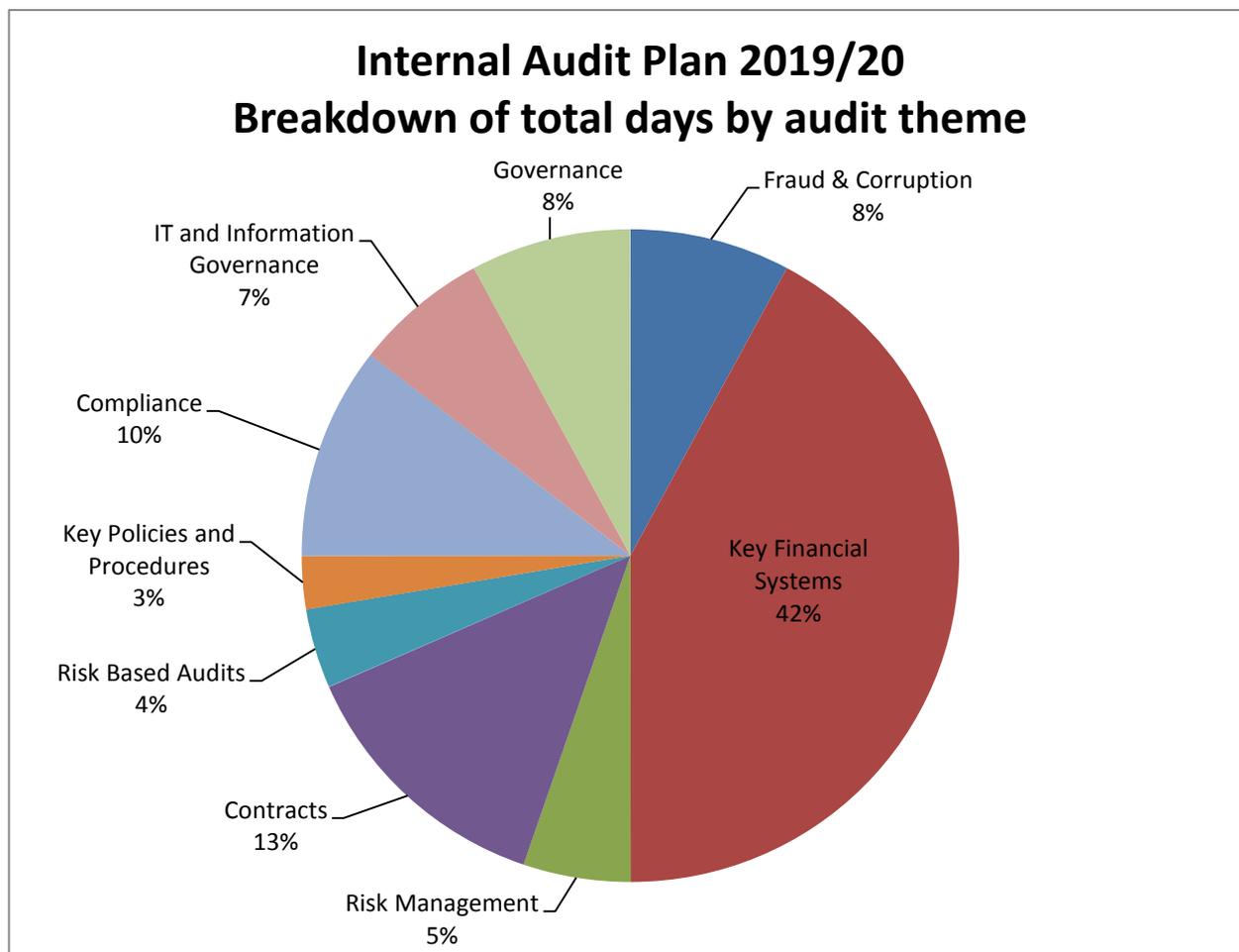
Provision of assurances over grant funding from central government where a Head of Audit opinion is required. These are becoming more in number each year and management will be kept informed of new requirements via the normal reporting mechanisms.

## **1.6 PLAN SUMMARY AND RESOURCES**

In summary, the Audit Plan maintains a focus on risk-based and compliance audits as well as providing assurance on key financial systems. This reflects the need to focus on the management of emerging risks and to ensure the continued operation of key controls within the Council's governance arrangements, systems and processes. In order to contribute to the Council's efficiency agenda, there is also a continued need to allocate time to anti-fraud work and value for money reviews.

The Audit Plan has been agreed as 450 days. Ongoing risk assessment of this work will be completed to ensure that resources are targeted to the highest-priority areas.

The proposed approximate split of time across the 2019/20 Audit Plan is as follows:



## 1.7 CONCLUSION

The 2019/20 Audit Plan has used a risk-based approach to prioritising internal audit work and includes sufficient coverage to ensure an evidence-based assurance opinion on the control environment can be provided at the end of the year.

The Plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on key risks facing the organisation throughout the year.

Progress against the plan will be monitored throughout the year and key issues reported to CLT and the Audit Committee each quarter.

## 1.8 THE DRAFT INTERNAL AUDIT PLAN 2019/20

The Draft Internal Audit Plan is presented at Appendix 1.

**APPENDIX 1**

<b>Draft Internal Audit Plan 2019/20</b>					
<b>Audit</b>	<b>2019/20</b>	<b>Assurance Block</b>	<b>Theme</b>	<b>Directorate</b>	<b>Why?</b>
<b>Anti-Fraud and Corruption</b>					
<i>Allocation of time for risk assessment and investigation of fraud and theft referrals. Should significant fraud be identified in-year management will be consulted as to the best way to investigate as well as, where appropriate, how to improve the control environment to reduce the risk of re-occurrence. The National Fraud Initiative is a national data matching exercise &amp; internal audit will coordinate the data cut on behalf of Norwich City Council.</i>					
National Fraud Initiative	20	Anti-Fraud and Corruption	Fraud & Corruption	Cross-Cutting	Management of statutory National Fraud Initiative.
Fraud Investigations	10	Anti-Fraud and Corruption	Fraud & Corruption	Cross-Cutting	Allocation of time for risk assessment and investigation of fraud and theft referrals. Should significant fraud be identified in-year CLT will be consulted as to the best way to investigate as well as, where appropriate, how to improve the control environment to reduce the risk of re-occurrence.
<b>Total Anti-Fraud and Corruption:</b>	<b>30</b>				
<b>Key Financial Systems</b>					
<i>Providing assurance that the Council has made arrangements for the proper administration of its financial affairs, these system audits are agreed in advance with External Audit and focus on the systems with the highest financial risk. These reviews give an opinion as to the effectiveness of financial management procedures and arrangements to ensure the integrity of accounts.</i>					
Accounts Receivable	25	Key Financial Systems	Financial Governance	Cross-Cutting	New finance system in place from 1st April 2019. Audit review will be conducted by undertaking a system review in quarter 1 to ascertain the control environment (10 days). Sample testing on transactions will be conducted in quarters 2 and 3 to ensure controls are embedded (10 days). Final transaction testing and reporting will be conducted in quarter 4 (5 days).
Purchase to Pay	25	Key Financial Systems	Financial Governance	Cross-Cutting	

Payroll	15	Key Financial Systems	Financial Governance	Cross-Cutting	Annual assurance over Key Systems conducting transactional testing.
Housing Rents/Arrears	20	Key Financial Systems	Financial Governance	Cross-Cutting	
Housing Benefits	20	Key Financial Systems	Financial Governance	Cross-Cutting	
Council Tax	15	Key Financial Systems	Financial Governance	Cross-Cutting	
NNDR	15	Key Financial Systems	Financial Governance	Cross-Cutting	
Bank Reconciliations	10	Key Financial Systems	Financial Governance	Cross-Cutting	
Treasury Management	15	Key Financial Systems	Financial Governance	Cross-Cutting	
<b>Total Key Financial Systems:</b>	<b>160</b>				
<b>Strategic Risk Management</b>					
<i>Assurance over the Council's risk management framework in addition to support, advice and facilitation of strategic risk management processes.</i>					
Strategic Risk Management	15	Risk Management	Risk Management	Cross-Cutting	Administration and reporting of corporate risk register and supporting documents.
Risk Management	5	Risk Management	Risk Management	Cross-Cutting	Assurance over the Council's risk management framework
<b>Total Risk Management:</b>	<b>20</b>				
<b>Contracts</b>					
<i>This is a key area of risk. Effective and proportionate contract monitoring by the Council is essential to ensure good cost control (i.e. we pay what we should based on actual costs/'contract' conditions) and that expected outcomes from these contracts are achieved. Higher-risk contracts have been selected for review, incorporating open-book assurance where possible to ensure that these are operating in accordance with the terms of the contracts and value for money is being achieved by contract management activities. Work to examine the commissioning process as a whole is also included in this assurance block.</i>					
Contract Management	20	Contracts	Procurement	Cross-Cutting	Based on assessment of risk, concentrating on contract monitoring and open book reviews where appropriate.

Joint Ventures	30	Contracts	Procurement	Cross-Cutting	Provide guidance and advice during the process of bringing back 3 JV's (under 5 contracts) to the Council.
<b>Total Contracts:</b>	<b>50</b>				
<b>Risk-Based Audits &amp; Director Requests</b>					
<p><i>These are areas of risk specifically identified by key officers during the consultation process and have been requested to be included in the 2018/19 Audit Plan. This block also includes areas where the Audit Committee require additional assurances. Assurance over key organisational risks and requests for specific audit reviews by individual Directors will not only give directors the assurance they have requested but will support the annual Head of Internal Audit opinion across the control environment.</i></p>					
Norwich Regeneration Limited	15	Risk-Based Audits & Director Requests	Value for Money	Cross-Cutting	Review the suite of assurances required by Norwich CC to ensure governance arrangements in place at NRL are effective & proportionate to ensure NoCC objectives are achieved and interests protected. This could be 3PA and reliance on NRL internal auditors & company director assurance statements.
<b>Total Risk-Based Audits:</b>	<b>15</b>				
<b>Key Policies &amp; Procedures</b>					
<p><i>Effective policies and procedures drive the culture and risk appetite of the organisation and ensure key control principles are captured. They should review annually to ensure they remain proportionate and effective.</i></p>					
Annual Key Policies & Procedures Review	6	Policies & Procedures	Governance	Cross-Cutting	Following previous year audit reviews of core policies and procedures, this review will provide assurance that there is an effective framework to ensure key policies are reviewed, updated and effectively communicated.
Financial Regulations	2	Policies & Procedures	Governance	Cross-Cutting	Review of key policies to ensure they have been updated in line with current risk appetites and accepted good governance and effectively communicated.
Contract Procedure Rules	2	Policies & Procedures	Governance	Cross-Cutting	
<b>Total Policies &amp; Procedures:</b>	<b>10</b>				
<b>Compliance</b>					

*Compliance checks across the organisation to provide assurance on whether critical controls within key policies and procedures are routinely complied with in practice. Proposed coverage is underpinned by an assessment of the Council's framework of controls and findings from previous audit work.*

Fees and Charges	5	Compliance	Value for Money	Cross-Cutting	Review of fees and charges, to identify compliance with the Council's Fees & Charges policy.
Key Performance Indicators	5	Compliance	Governance	Cross-Cutting	Review of Key Performance Indicators relating to Sustainable Economy to confirm that they are calculated and reported accurately in order to appropriately inform decision-making.
Scheme of Delegation compliance	5	Compliance	Governance	Cross-Cutting	Review of a sample of decision-making to confirm that the Council's Scheme of Delegation is being complied with and that officers do not take decisions which are beyond their delegated powers.
Commercial Property Investment Strategy	20	Compliance	Value for Money	Cross-Cutting	Reviews a sample of property acquisitions to ensure the Commercial Property Investment Strategy has been complied with.
Contract Extensions	5	Compliance	Procurement	Cross-Cutting	Review of extensions made to contracts, to understand the reasons that contracts are extended, and whether extensions are achieving value for money.
<b>Total Compliance:</b>	<b>40</b>				
<b>ICT and Information Governance</b>					
<i>Reviews of key risk areas around information governance and information security, as well as coverage of key ICT risk areas such as major ICT failure.</i>					
IT Audit Assurance					Coverage to be recommended by the LGSS IT Auditor for agreement with Norwich Director of Business Services.
<b>Total ICT and Information Governance:</b>	<b>25</b>				
<b>Governance</b>					
Attend HR & Finance Project Meetings	5	Risk-Based Audits & Director Requests	Value for Money	Cross-Cutting	Providing support and guidance post implementation.
Attend Information Governance Group	5	Governance	Information Governance	Cross-Cutting	Attending corporate information and assurance group.

Attend Data Breach Response	5	Governance	Information Governance	Cross-Cutting	Reviewing effectiveness of internal controls.
Attend/facilitate Corporate Governance and RM Group	5	Governance	Governance	Cross-Cutting	Attend Corporate Governance & RM Group; facilitate the agenda items covering Risk Management.
Annual Governance Statement	10	Governance	Governance	Cross-Cutting	Assurance mapping and draft to accompany statement of accounts
<b>Total Governance:</b>	<b>30</b>				
<b>Grant assurance</b>					
<i>Provision of assurances over grant funding from central government where a Head of Audit opinion is required. These are becoming more in number each year and management will be kept informed of new requirements via the normal reporting mechanisms.</i>					
Disabled Facility Grant	10	Grant assurance	Financial Governance	Cross-Cutting	Certification to Norfolk CC - to be completed by 31st May 2017
<b>Total Grant assurance:</b>	<b>10</b>				
<b>Advice &amp; Guidance</b>					
Ad -Hoc Advice & Guidance	15	Advice & Guidance	Advice & Guidance	Cross-Cutting	Providing support and guidance to staff on ad-hoc queries, and internal controls.
Follow-Ups of Agreed Actions	10	Advice & Guidance	Advice & Guidance	Cross-Cutting	Confirming agreed actions have been implemented to reduce key organisational risks.
<b>Total Advice &amp; Guidance:</b>	<b>25</b>				
<b>Reporting</b>					
Committee Reporting	15	Reporting	Reporting	Cross-Cutting	Reporting to Audit Committee.
Management Reporting	10	Reporting	Reporting	Cross-Cutting	Reporting to CLT, Director of Business Services and S151 Officer.
Audit Plan	10	Reporting	Reporting	Cross-Cutting	Development and full consultation on the Annual Internal Audit Plan and any in-year revisions / updates.
<b>Total Reporting:</b>	<b>35</b>				
<b>Operational Plan Total - 2019/20</b>	<b>450</b>				

<b>Report to</b>	Audit committee 12 March 2019	<b>Item</b>  <b>7</b>
<b>Report of</b>	Chief finance officer (Section 151 Officer)	
<b>Subject</b>	Impact of New Accounting Standards, and Valuation of Council Housing for the HRA	

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### **Purpose**

This report provides information on the impact of the new accounting standards applied under the Code of Practice on Local Authority Accounting in the United Kingdom, standards IFRS 9, IFRS 15 and IFRS 16; and the valuation of council housing for the HRA.

### **Recommendation**

To receive the report.

### **Corporate and service priorities**

The report helps to meet the corporate priority value for money services.

### **Financial implications**

There are no direct financial implications arising from this report.

**Ward/s:** All Wards

**Cabinet member:** Councillor Kendrick - Resources

### **Contact officers**

Karen Watling, chief finance officer & S151 officer                      01603 212440

Hannah Simpson, strategic financial business partner &                      01603 212560  
deputy S151 officer

### **Background documents**

None

# Report

## Background

1. The following actions were agreed at the audit committee on 16 October 2018:
  - (a) To ask the chief finance officer to report back to the committee on the impact of the new accounting standards applied under the Code of Practice on Local Authority Accounting in the United Kingdom, standards IFRS 9, IFRS 15 and IFRS 16; and
  - (b) To ask the chief finance officer to report to the committee on the valuation of council housing for the HRA.

## **(A) Impact of New Accounting Standards**

### **IFRS 9: Financial Instruments**

2. This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The changes being implemented to IFRS 9 are largely a reaction to the global financial crisis and aim to provide greater transparency on gains and losses arising on financial assets and greater pessimism about potential credit losses.
3. Financial assets held by the council include cash, investments, equity shareholdings and any contractual right to receive cash (e.g. loans and receivables balances).
4. The key impacts on the council's accounts will be:
  - A change in classification of Financial Instruments
  - The introduction of a forward looking 'expected loss' model for impairment of financial assets; and,
  - Increased disclosure requirements.
5. Our initial impact assessment has identified a number of key impacts. A full impact assessment will be available for the auditors during their interim visit.

### **Classification of Equity Shares (excluding wholly owned subsidiaries)**

6. The council's shareholding in Norwich Airport Ltd and the two Legislator companies has historically been held in the accounts at cost; under the new standard this must be held at fair value (market value). A valuation of the shareholding is being undertaken.
7. The default classification for equity shares is fair value through the profit and loss. This would mean that any change in value directly impacts on the income and expenditure statement as a gain or loss on revaluation.

8. As these are equity instruments which are not held for trading purposes, a choice is available to the council under the Code as to whether these are held at fair value with movements going through the profit and loss account, or irrevocably designated as 'fair value through other comprehensive income' thereby deferring any gains/losses until the investment matures or is sold. We plan to utilise this designation option for our equity shares, with any movement fair value taken to a new unusable Financial Instrument Revaluation Reserve.

### **Classification of Equity Shares in Wholly Owned Subsidiaries**

9. The Code permits equity investments in subsidiaries to be excluded from the IFRS 9 requirements where they are fully consolidated into the group financial statements, as they are covered by more specific provisions about their recognition, measurement and disclosure. The equity shareholding in NRL will therefore continue to be held at cost and the company's results fully consolidated into the Group Accounts.

### **Expected Loss Model**

10. There will also be a requirement to adopt an expected credit losses model, requiring the council to assess the value of possible default events over the expected life of a financial asset. The high credit quality adopted by the Council for its investment counterparties is likely to see an immaterial expected credit loss position.
11. Loans to the council's wholly-owned subsidiary Norwich Regeneration are within the scope of IFRS 9 and will also be subject to the expected credit loss model. The lending to the council is on the basis of an approved company Business Plan and financial model. In addition the council has security on the loan in the form of the company's assets (housing). A full review expected loss review will be undertaken on the loan, although given the factors above no impairment of the loan is expected.
12. Other soft loans balances (e.g. Decent Homes Loans) will also be reviewed and any expected losses taken through the income & expenditure statement.

### **IFRS 15: Revenue from contracts with Service Recipients**

13. This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The standard introduces a five step approach to identify contracts and the performance obligations and has been revised to help to clarify and harmonise the treatment relating to revenue recognition. The standard requires enhanced disclosures around revenue, including different categories of revenue, judgements around performance obligations and contract balances.
14. The following types of council income are within the scope of IFRS 15.

- *Fees and charges for services under statutory requirements* e.g. charges for planning application fees, application fees for taxi licensing or alcohol and entertainment licensing, various inspection fees
- *Sale of goods* e.g. sales may include retail sales in the tourist information centre or aids and adaptations for social care activities
- *Charges for services provided by local authorities* e.g. leisure services, car parking income, cemetery, cremation services and maintenance service charges for housing dwellings

15. A review has been undertaken of all the council's material income streams. The review has not identified any income streams where the accounting treatment needs to be amended in light of the implementation of IFRS 15.

16. A review of income recognition in Norwich Regeneration Ltd has also been undertaken. The review has not identified any income streams where the accounting treatment needs to be amended in light of the implementation of IFRS 15.

## **IFRS 16: Leases**

17. In December 2018 CIPFA/LASAAC agreed to delay implementation of IFRS 16 until 1 April 2020 to avoid additional work load from Whole of Government Accounts data collection processes.

18. Under the new standard the accounting treatment of leases by **lessees** will change fundamentally. The definition of a lease under IFRS 16 is 'a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration'.

19. The standard eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. This will result in the Council recognising new assets and liabilities, with the aim of bringing added transparency to the balance sheet.

20. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.

21. The first task in assessing the impact of the standard is to identify all arrangements that the Council has which falls under the definition of a lease. We have carried out a circularisation of all budget holders and procurement to identify lease arrangements (where Norwich are the lessee) and built up a dataset of all the relevant contract information.

22. We are awaiting further guidance from CIPFA with particular focus on the application to local authorities. In particular around assets leased at peppercorn rent and whether our private sector leasing properties are within the scope of the standard.

## **(B) Valuation of Housing Stock**

23. Within the accounts, the valuation basis for social housing is called Existing Use Value – Social Housing (EUV-SH). This valuation represents the assumption that the properties have sitting tenants with potentially below market value rents and statutory rights such as right to buy.
24. The valuation therefore reflects the constraints of a regulated sector, including the levels of rent at which properties may be let, which must remain affordable. It typically, therefore, produces opinions of value which are considerably lower than Market Value with vacant possession.
25. A full valuation is carried out every 5 years, with a desktop valuation carried out every interim year. These valuations are carried out by Norfolk Property Services Ltd (NPS) in accordance with the RICS Valuation – Professional Standards 2012 as published by the Royal Institute of Chartered Surveyors.
26. In carrying out the valuation the beacon principle is adopted which allocates the stock into groups of properties of similar design, age, type, or construction. A sample property, "the beacon" is selected, which is representative of the group, and a detailed inspection and valuation carried out. The Beacon method avoids the necessity of valuing and inspecting each individual property. Only selected properties are inspected and any verification of property information will only be required for the beacon.
27. An Adjustment Factor (a percentage) is then applied to the Beacon Value to calculate the EUV-SH. The Adjustment Factor measures the difference between private open market rented and socially rented property at a regional level. It is the discount which, when applied to the cumulative total of all beacon values, gives rise to the EUV-SH. The adjustment factor is prescribed by MHCLG and determined at a regional level. The adjustment factor is 38% for the Eastern Region.
28. The Council Dwelling valuation shown in the 17/18 accounts was £757m. This valuation will fluctuate between years on the basis of movements in the underlying property market. The accounts fully disclose this as a significant estimate within the accounts and detail the impact of a 1% change in the valuation assumption (movement of £7.57m).

