

Committee Manager: Jane Fulton (Ext. 37611)

22 November 2016

AUDIT AND GOVERNANCE COMMITTEE

A meeting of the Audit and Governance Committee will be held in Committee Room 1 [the Pink Room] at the Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF on **Thursday, 8 December 2016 at 9.30 am** and you are requested to attend.

Members: Councillors Clayden (Chairman), Mrs Oakley (Vice-Chairman), Brooks, L Brown, Edwards, D Maconachie, Mrs Maconachie, Mrs Porter, Miss Rhodes and Wheal.

A G E N D A

1. APOLOGIES FOR ABSENCE
2. DECLARATIONS OF INTEREST

Members and Officers are reminded to make any declarations of personal and/or prejudicial interests that they may have in relation to items on this Agenda.

You should declare your interest by stating :

- a) the item you have the interest in
- b) whether it is a personal interest and the nature of the interest
- c) whether it is also a prejudicial interest

You then need to re-declare your interest and the nature of the interest at the commencement of the item or when the interest becomes apparent.

3. MINUTES

To approve as a correct record the Minutes of the meeting held on 29 September 2016 (previously circulated).

4. ITEMS NOT ON THE AGENDA THAT THE CHAIRMAN OF THE MEETING IS OF THE OPINION SHOULD BE CONSIDERED AS A MATTER OF URGENCY BY REASON OF SPECIAL CIRCUMSTANCES.

5. *ERNST & YOUNG - ANNUAL AUDIT LETTER

Ernst & Young Annual Audit Letter for the year ended 31 March 2016 is attached.

6. *TREASURY MANAGEMENT - QUARTER 2 -INTERIM REPORT - 2016/2017

This report updates the Committee on the Treasury Management activities for the quarter ended 30 September 2016. The report also provides an update to include more recent information.

7. CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITOR

Further to the report provided to the last meeting of the Committee held on 29 September 2016, Members are advised that the recommendation to opt into the sector lead body (PSAA Ltd) was approved by Full Council on 9 November 2016.

In accordance with this decision, the Head of Finance and Property has provided PSAA Ltd with the required notice of acceptance of the invitation to opt-in.

This update is for the Committee to note.

8. *REVISED STRATEGIC RISK REGISTER 2016/2017

The Committee is requested to note and approve the revised Strategic Risk Register which has been updated by the responsible Officers.

9. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Cabinet Office has published its report on the National Fraud Initiative (NFI) 2016 which can be accessed by Members by clicking on the following link:

<https://www.gov.uk/government/publications/national-fraud-initiative-report-november-2016>

10. *PROGRESS AGAINST THE AUDIT PLAN

The Committee is required to oversee the provision of an adequate and effective internal audit service. Part of this process is to monitor delivery of progress against the Audit Plan and to receive summaries of reports issued.

The Committee is requested to note the contents of the reports attached.

(Note: Members are also reminded that if they have any detailed questions, would they please inform the Chairman and/or relevant Lead Officer in advance of the meeting in order that the appropriate Officer/ Cabinet Member can attend the meeting.)

Arun District Council

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Arun District Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack, and in accordance with the group auditor instructions we reported this fact to the NAO.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was presented on 29 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 30 September 2016.

In January 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Annual Audit Letter for the year ended 31 March 2016 - Arun District Council

Paul King
Executive Director
For and on behalf of Ernst & Young LLP

Purpose

Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 29 September meeting of the Audit & Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued in June 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return, and in accordance with the group auditor instructions we reported this fact to the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 September 2016.

Our detailed findings were reported to the 29 September 2016 Audit & Governance Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a further sample of journals that met our criteria back to supporting documentation. This included:</p> <ul style="list-style-type: none"> • testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • reviewing accounting estimates for evidence of management bias; and; • evaluating the business rationale for any significant unusual transactions. <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

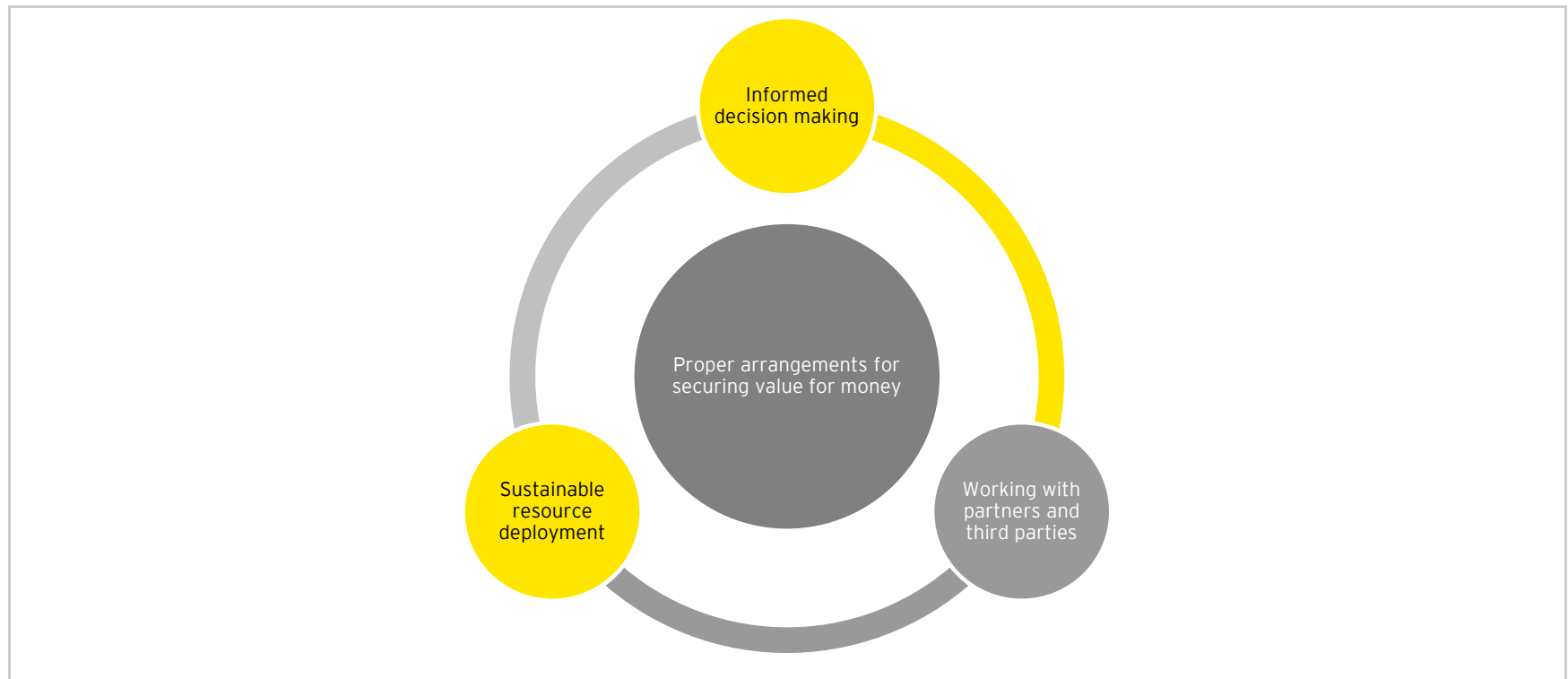
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 30 September 2016.

Our audit report did not identify any significant matters in relation to the Council's arrangements. However, we noted that financial pressures continue to increase for the Council (see page 19).

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack and in accordance with the group auditor instructions we reported this fact to the NAO.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit & Governance Committee on 29 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

No significant deficiencies were identified.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars. The person's face is blurred in the background, focusing attention on the binoculars and the text overlay. A bright yellow rectangular box is positioned over the left side of the binoculars.

Focused on your
future

Focused on your future

Area	Issue	Impact
Financial Standing	<p>On Page 14, we noted that financial pressures continue to increase for the Council. As part of our Value for Money conclusion, we reviewed the Council's Financial Model and recognise that by 2019/20, the Council's reserves will be substantially depleted and over the course of the current five year forecast, there is little reduction in Net Service Expenditure. The model also assumes no major changes to the current local government financing regime and income from both New Homes Bonus (NHB) and local retention of business rates, on which the Council is currently reliant, continue into the future. Although these assumptions are reasonable they constitute further areas of uncertainty.</p> <p>Given its current relatively high level of net expenditure and low levels of income there is a growing imperative for the Council to change. We recognise the Council has achieved some efficiency by renewing and re-letting its contracts with the private sector. This is recognised as part of the Council's Vision 2020 strategy and programme.</p> <p>We also recognise the Council has made some progress to seek efficiencies, and is working with neighbouring authorities to test the viability of sharing services. However, the Council is still considering the options available to it and as yet, no firm decisions have been made. The impact of the changes on services and finances is therefore not yet known.</p>	<p>We are committed to supporting the Council while it looks to identify opportunities to improve efficiencies and make appropriate cost savings, whilst maintaining statutory services.</p>
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK.</p> <p>All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants</p>

Area	Issue	Impact
	<p>the UK Government.</p> <p>For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected.</p> <p>It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>

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ED None

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AGENDA ITEM NO. 6ARUN DISTRICT COUNCILAUDIT AND GOVERNANCE COMMITTEE
8 DECEMBER 2016

Decision Paper

Subject : Treasury Management – Interim Report 2016/17
(Qtr 2)

Report by : Sian Southerton, Senior Accountant / Treasury & Investment Officer

Report date : December 2016

EXECUTIVE SUMMARY

To report on the Treasury Management activities for the quarter ended 30 September 2016 and updated to include more recent information.

RECOMMENDATIONS

The Committee is requested to recommend Full Council to:

- (i) approve the actual prudential and treasury indicators for 2016/17 contained in the report;
- (ii) note the treasury management report for 2016/17;
- (iii) note the treasury activity for the quarter ended 30th September 2016, which has generated interest receipts of £188,000 (1.15%) for the quarter and £370,000 (1.17%) year to date, against a budget of £560,000 (1.10%) for the full year; and
- (iv) note interest earned to the end of October 2016 (YTD) of £440,000 (1.17%).

1.0 INTRODUCTION

CIPFA (the Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (Treasury Management Strategy Statement (TMSS), annual and midyear reports). The reporting quarters follow

convention, however, the dates are not practicable for the timing of Audit and Governance Committees as these are determined by other factors such as the formal approval of the Annual Governance Statement and the Statement of Accounts. This report covers the quarter ended September 2016 in detail but has been updated to include items such as the interest received and Investments at the end of October 2016 to provide members with more up to date information where practicable.

2.0 ECONOMIC BACKGROUND

The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.

The Bank of England meeting on 4 August 2016 addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. In September, October and November, the Bank of England (BoE) decided to keep interest rates unchanged as the MPC voted in favour of keeping them at 0.25%. The Quantitative Easing programme was also left unchanged at £435bn. The November Inflation Report showed the BoE amending its growth forecast to 2.2% for 2016 and increased its 2017 forecast to 1.4% from the August report. Inflation forecasts were revised up due to the dramatic fall in sterling, and prices are now forecasted to surpass the BoE's 2% target in 2017. Consumer prices are forecast to reach 2.7% for both 2017 and 2018 before falling to 2.5% in 2019.

The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on 23 November 2016.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years. However, the MPC is expected to look thorough a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy.

The victory by Donald Trump in the US election proved to have a fairly short-lived adverse impact on financial markets. In fact, stock markets in America have hit a new record high in the first few days since the election. However, Treasury yields have risen sharply in expectation of a significant rise in inflation, as an economy which is already working near to full capacity could be in line for a significant boost to economic growth if Trump's expansion of infrastructure expenditure plans become a reality. His plans to cut taxes, at the same time as boosting expenditure, could also lead to a sharp rise in total debt issuance from the current level of around 72% of GDP towards 100% during his term in office. However, although the Republicans now have a monopoly of power for the first time since the 1920s, in having a President and a majority in both Congress and the Senate, there is by no means any certainty that the politicians and advisers he has been appointing to his team, and both houses, will implement the more extreme policies that Trump outlined during his election campaign. Indeed, Trump may even rein back on some of those policies himself.

3.0 INTEREST RATE FORECAST

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

Capita Asset Services Interest Rate View															
	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.50%	0.75%	0.75%
5yr PWLB Rate	1.54%	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.00%
10yr PWLB View	2.26%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%
25yr PWLB View	2.89%	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%
50yr PWLB Rate	2.63%	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%

Capita Asset Services updated their forecasts of 9 August to take into account the Bank of England quarterly Inflation Report for November 2016, the decision of the MPC meeting of 3 November, and the US Presidential election of 8 November. Economic forecasting remains difficult with so many external influences weighing on the UK. Capita Asset Services Bank Rate forecasts, (and also MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Forecasts for average earnings beyond the three year time horizon will be heavily dependent on economic and political developments. Major volatility in bond yields is likely to endure as investor fears and confidence ebb and flow between favouring more risky assets i.e. equities, or the safe haven of bonds.

The latest MPC decision included a forward view that Bank Rate could go either up or down depending on how economic data evolve in the coming months. Capita Asset Services central view remains that Bank Rate will remain unchanged at 0.25% until the first increase to 0.50% in June 2019 (unchanged from our previous forecast).

4.0 ANNUAL INVESTMENT STRATEGY

The Treasury Management Strategy Statement (TMSS) for 2016/17, which includes the Annual Investment Strategy, was approved by the Council on 16 March 2016. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short to cover short term cash flow needs but also to seek out value available in marginally higher rates in longer periods with highly credit rated financial institutions. This applies in particular to semi nationalised UK banks and relatively newly introduced counterparties (Close Brothers and Goldman Sachs). Achieving this is proving to be increasingly difficult as rates stay at very low levels however the property fund has further increased the returns the Council is achieving on its investments. Currently £4M has been invested in this fund achieving a return of approx. 4.40% year to date.

A full list of investments held as at 31 October, 2016 and the authorised counterparties are shown in Appendix 2 and 3 respectively. The approved limits within the Annual Investment Strategy were not breached during this period.

Investment rates available in the market were broadly stable during the first half of the quarter but then took a slight downward path in the second half concluding with a significant drop after the referendum on a sharp rise in expectations of an imminent cut in Bank Rate and "lower for longer" expectations thereafter.

The average level of funds available for investment purposes during the quarter was £67m. A proportion of these funds were available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments (WSCC and Sussex Police -approximately £8.2M / month for 10 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £48M core cash balances for investment purposes (i.e. funds available for more than one year).

Investment performance for quarter ended 30.09.2016

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	0.36%	1.10%	1.15%	£188,000

The Council's budgeted investment return for 2016/17 is £560,000 (1.10%), and performance for the quarter is £188,000 (1.15%) with a year to date of £370,000 (1.17%). The estimated outturn for 2016/2017 is £708,000 (1.21%), which shows that the original budget will be exceeded, which is due to the Council taking advantage of deals with part nationalised counterparties for longer durations (earning higher than average rates), £4m invested in the CCLA (Churches, Charities and Local Authorities) property Fund and higher than anticipated core balances.

Investment performance as at 31.10.2016 (Year to date)

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day	0.36%	1.10%	1.17%	£440,000

To the end of October 2016, the benchmark is outperformed by 81 bps, and the performance for the year to date is £440,000 (1.17%).

5.0 BORROWING

During the year to date, the 50 year PWLB target (certainty) rate for new long term borrowing started at 3.10% and ended at 2.10%.

No new borrowing was undertaken during the first or second quarter of the year. All prior borrowing was for the sole purpose of funding the HRA self-financing settlement payment and all loans are fixed maturity loans, shown in Appendix 4.

As part of the HRA self-financing regime, the Government has placed a limit on the amount of housing debt which can be held by each local housing authority. Arun's limit is £81,630,000.

The Council has no immediate plans to borrow for capital expenditure in the current year although funding will need to be arranged for a programme of Council house development and a Leisure centre scheme in Littlehampton.

This Council has not borrowed in advance of need during the quarter ended 30 September 2016.

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

Currently Arun's only borrowing relates to the HRA Self-Financing settlement (£70.9m). Prior to this borrowing being undertaken Arun had a negative CFR of £2.6m which has arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. As a result of this Arun's gross debt exceeds its CFR and is likely to continue to do so in the short term.

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The authorised limit was not breached in the second quarter 2015/16 as no capital borrowing took place.

The operational boundary – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. The operational boundary was not breached.

Actual financing costs as a proportion of net revenue stream - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

PWLB certainty rates, for the financial year to 30th September 2016

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.81%	0.95%	1.42%	2.08%	1.87%
Date	07/09/2016	10/08/2016	10/08/2016	12/08/2016	30/08/2016
High	1.20%	1.80%	2.51%	3.28%	3.08%
Date	27/04/2016	27/04/2016	27/04/2016	27/04/2016	27/04/2016
Average	0.99%	1.33%	1.92%	2.69%	2.46%

6.0 COMPLIANCE WITH TREASURY AND PRUDENTIAL LIMITS

It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

During the financial year to date the Council has operated within the treasury and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators are shown in appendix 1.

Background Papers:

CIPFA'S Treasury Management in the Public Services: Code of Practice (2011)
(Link not available as copyright)

The Prudential Code for Capital Finance in Local Authorities (2011) Guidance notes (2013) *(Link not available as copyright)*

The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

Contact: Sian Southerton ext 37861 sian.southerton@arun.gov.uk

Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2015/16	2016/17	2016/17
Extract from budget and rent setting report	Actual	original	Actual 30 th September
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	1,950	4,533	1,326
HRA	2,096	8,105	1,281
TOTAL	4,046	12,638	2,607
Ratio of financing costs to net revenue stream			
Non – HRA	-2.34%	-2.42%	n/a
HRA	32.30%	34.71%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-4,978	-3,940	-3,940*
HRA	59,066	59,991	59,991*
TOTAL	54,088	56,051	56,051
Annual change in Cap. Financing Requirement			
Non – HRA	0	1,038	n/a
HRA	-3,544	857	n/a
TOTAL	-3,544	1,895	n/a
Incremental impact of capital investment decisions	£ p	£ p	£ p
Increase in council tax (band D) per annum	2.6	5.45***	5.45
Increase in average housing rent per week	20.26**	31.54**	31.54

* Estimated to 31/3/17

** Increase due to HRA acquisition/new build

*** Increase due to ALC work

2. TREASURY MANAGEMENT INDICATORS	2015/16	2016/17	2016/17
	actual	original	Actual 30 th September
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	67,000	67,000	67,000
other long term liabilities	0	0	0
TOTAL	67,000	67,000	67,000
Operational Boundary for external debt -			
Borrowing	64,000	64,000	64,000
other long term liabilities	0	0	0
TOTAL	64,000	64,000	64,000
Actual external debt	62,040	62,040	62,040
Maximum HRA Debt limit	81,630	81,630	81,630
Upper limit expressed as a proportion of total interest earned:			
Fixed interest rate exposure	100%	100%	100%
Variable interest rate exposure	20%	40%	40%
Upper limit for total principal sums invested for over 364 days	26,000	30,000	30,000

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 30/09/16	lower limit	upper limit
under 12 months	14.28%	0%	20%
12 months and within 24 months	0%	0%	30%
24 months and within 5 years	14.28%	0%	30%
5 years and within 10 years	14.28%	0%	50%
10 years and above	57.16%	0%	70%

INVESTMENTS at 31st October 2016

Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	529	Lloyds Bank PLC	19/11/2013	21/11/2016	£1,000,000.00	1.3500*
Fixed Term Deposit	604	United Overseas Bank	24/05/2016	24/11/2016	£1,000,000.00	0.62
Fixed Term Deposit	610	Skipton Building Society	06/06/2016	06/12/2016	£2,000,000.00	0.70
Fixed Term Deposit	536	Royal Bank of Scotland	21/01/2014	23/01/2017	£2,000,000.00	1.5000**
Fixed Term Deposit	618	Goldman Sachs International	22/07/2016	23/01/2017	£2,000,000.00	0.62
Fixed Term Deposit	585	Close Brothers Ltd	24/07/2015	26/01/2017	£1,000,000.00	1.51
Fixed Term Deposit	587	Close Brothers Ltd	07/08/2015	10/02/2017	£1,000,000.00	1.53
Fixed Term Deposit	598	Nationwide Building Society	16/02/2016	14/02/2017	£1,000,000.00	0.95
Fixed Term Deposit	623	Goldman Sachs International	14/09/2016	14/03/2017	£2,000,000.00	0.635
Fixed Term Deposit	591	Close Brothers Ltd	17/09/2015	17/03/2017	£1,000,000.00	1.53
Fixed Term Deposit	625	Goldman Sachs International	06/10/2016	28/03/2017	£2,000,000.00	0.70
Fixed Term Deposit	626	Lloyds Bank PLC	26/10/2016	28/03/2017	£3,000,000.00	0.60
Fixed Term Deposit	619	Barclays Commercial Bank	22/07/2016	28/03/2017	£2,000,000.00	0.637
Fixed Term Deposit	600	Lloyds Bank PLC	18/04/2016	13/04/2017	£1,000,000.00	1.05
Fixed Term Deposit	601	Close Brothers Ltd	18/04/2016	18/04/2017	£1,000,000.00	1.00
Fixed Term Deposit	602	Skipton Building Society	29/04/2016	28/04/2017	£1,000,000.00	1.02
Fixed Term Deposit	603	Lloyds Bank PLC	12/05/2016	11/05/2017	£1,000,000.00	1.05
Fixed Term Deposit	605	Skipton Building Society	25/05/2016	24/05/2017	£1,000,000.00	1.02
Fixed Term Deposit	606	Goldman Sachs International	24/05/2016	24/05/2017	£2,000,000.00	1.045
Fixed Term Deposit	607	Santander	25/05/2016	24/05/2017	£1,000,000.00	1.00
Fixed Term Deposit	608	Santander	25/05/2016	24/05/2017	£2,000,000.00	1.00
Fixed Term Deposit	579	Svenska Handelsbanken	05/06/2015	05/06/2017	£2,000,000.00	1.15
Fixed Term Deposit	553	Lloyds Bank PLC	06/06/2014	06/06/2017	£2,000,000.00	1.55
Fixed Term Deposit	611	Santander	16/06/2016	15/06/2017	£2,000,000.00	1.00
Fixed Term Deposit	612	Nationwide Building Society	06/07/2016	05/07/2017	£1,000,000.00	0.75
Fixed Term Deposit	613	Leeds Building Society	06/07/2016	05/07/2017	£1,000,000.00	0.75
Fixed Term Deposit	614	Qatar National Bank	06/07/2016	05/07/2017	£2,000,000.00	0.82
Fixed Term Deposit	615	Barclays Commercial Bank	06/07/2016	05/07/2017	£2,000,000.00	0.78
Fixed Term Deposit	616	Lloyds Bank PLC	08/07/2016	07/07/2017	£1,000,000.00	1.05
Fixed Term Deposit	617	Santander	08/07/2016	07/07/2017	£2,000,000.00	1.00
Fixed Term Deposit	609	Qatar National Bank	06/06/2016	07/08/2017	£2,000,000.00	1.16
Fixed Term Deposit	589	RBS	21/08/2015	21/08/2017	£1,000,000.00	1.10****
Fixed Term Deposit	622	Lloyds Bank PLC	09/09/2016	08/09/2017	£1,000,000.00	1.00
Fixed Term Deposit	624	Lloyds Bank PLC	05/10/2016	04/10/2017	£1,000,000.00	1.00
Fixed Term Deposit	572	Royal Bank of Scotland	29/05/2015	31/05/2018	£2,000,000.00	1.00
Fixed Term Deposit	621	Close Brothers Ltd	24/08/2016	24/08/2018	£2,000,000.00	1.210
Fixed Term Deposit	599	Royal Bank of Scotland	31/03/2016	18/02/2019	£2,000,000.00	1.2***
Fixed Term Deposit	620	Royal Bank of Scotland	19/08/2016	19/08/2019	£2,000,000.00	0.8*****
Property Fund	140000	CCLA (Churches, Charities and LA's)			£4,000,000.00	4.40^
Money Market Fund	110000	Federated			£4,000,000.00	0.32
Money Market Fund	120000	Standard Life			£2,990,000.00	0.30
Money Market Fund	100500	CCLA - PSDF			£3,500,000.00	0.30
Call account	88888	HSBC			£137,725.89	0.03
					£73,627,725.89	

* Yr 1 - 1.05%, Yr 2 - 1.35% and Yr 3 - 1.65%

**Floor 1.50% Cap 2.5% Libor flat

***Yr 1 - 1.20%, Yr 2 - 1.35%, Yr 3 - 1.50%

**** Yr 1 - 1.1%, Yr 2 - 1.42%

***** Yr 1 - 0.8%, Yr 2 - 0.95%, Yr 3 - 1.10%

^Approximate rate

APPENDIX 3

LIST OF AUTHORISED COUNTERPARTIES**Category 1 - Limit of £12 million for each institution - Maximum investment period - 5 Years**

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
<i>Min Criteria</i>	Fitch	AA-	F1+
	Moody	Aa3	P-1
	S&P	AA-	A-1+

All Local Authorities

Bank of Nova Scotia (CAN)
 DBS Bank Ltd (SING)
 Oversea-Chinese Banking Corp Ltd (SING)
 Svenska Handelsbanken (SW)
 United Overseas Bank Ltd (SING)
 National Bank of Abu Dhabi (U.A.E)
 Qatar National Bank (Qatar)

Category 2 - Limit of £11 million for each institution - Maximum investment period - 3 Years

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
<i>Min Criteria</i>	Fitch	A+	F1
	Moody	A1	P-2
	S&P	A+	A-1

Lloyds Banking Group (Bank of
 Scotland/Lloyds)
 Standard Chartered Bank (UK)

Category 3 - Limit of £8 million for each institution - Maximum investment period - 2 Years

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
Min Criteria	Fitch	A-	F1
	Moody	A3	P-2
	S&P	A-	A-1

Barclays Bank plc (UK)
 Close Brothers (UK)
 Goldman Sachs International Bank (UK)
 Nationwide Building Society (UK)
 Santander (UK)

Category 4 - Limit of £4 million for each institution - Maximum Investment period - 1 year
Building Society with Assets greater than £10 billion

Coventry Building Society (UK)
 Leeds Building Society (UK)
 Skipton Building Society (UK)
 Yorkshire Building Society (UK)

Category 5 - Council's Bank

NO LIMIT - same as category 1

HSBC Bank plc

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years

banks effectively nationalised by UK government

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
Min Criteria	Fitch	BBB-	F3
	Moody	Baa3	P-3
	S&P	BBB-	A-3

Royal Bank of Scotland plc/National Westminster Bank plc (UK)(Nationalised)

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) MONEY MARKET FUNDS and Government Liquidity Funds

Limit of £4million for each institution

CCLA Investment Management Ltd	AAAmmf	Stable NAV
Deutsche Banking Group	Aaa-mf	Stable NAV
Federated Investors Ltd (Fitch Ratings)	AAAmmf	Stable NAV
Fidelity Investments International (Moody's Rating)	Aaa-mf	Stable NAV
Standard Life Investments Liquidity Fund (Fitch Ratings)	AAAmmf	Stable NAV
Northern Trust	Aaa-mf	Stable NAV

Category 8 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs) – Enhanced Money Market Funds

Limit of £4million for each institution

Category 9 - Debt Management Office

Debt management Account - NO LIMIT (UK Govt)

Category 10 - Bonds issued by multilateral development banks - 5 Years

Maximum investment £4 million

Category 11 – Property Funds - 25 Years

Maximum investment £4 million

CCLA

*Appendix 4***Arun District Council - Loans at 31st October 2016**

Reference	Lender	Start Date	Maturity Date	Principal	Rate
499492	Public Works Loan Board	28/03/2012	28/03/2017	8,860,000	1.24%
499495	Public Works Loan Board	28/03/2012	28/03/2020	8,860,000	1.99%
499488	Public Works Loan Board	28/03/2012	28/03/2022	8,860,000	2.40%
499493	Public Works Loan Board	28/03/2012	28/03/2030	8,870,000	3.21%
499494	Public Works Loan Board	28/03/2012	28/03/2035	8,870,000	3.40%
499491	Public Works Loan Board	28/03/2012	28/03/2050	8,860,000	3.53%
499490	Public Works Loan Board	28/03/2012	28/03/2062	8,860,000	3.48%

62,040,000

AGENDA ITEM NO. 8ARUN DISTRICT COUNCILAUDIT & GOVERNANCE COMMITTEE8 DECEMBER 2016Information Paper

Subject : Revised Strategic Risk Register 2016/17

Report by : Chief Internal Auditor Report date : 17 November 2016

EXECUTIVE SUMMARY

The Council's Strategic Risk Register has been reviewed and revised to reflect changes since its last update in December 2015.

RECOMMENDATIONS

The Audit & Governance Committee is requested to note and approve the revised Strategic Risk Register.

1. INTRODUCTION

The Council's Risk Management Strategy requires that the Strategic Risk Register should be reviewed periodically and risks re-scored where necessary. It is also required to be reviewed at least annually by the Lead Officer and Lead Member for risk management.

The Audit & Governance Committee has Member oversight of risk management arrangements within the Council.

2. BACKGROUND

The Audit & Governance Committee last reviewed the Strategic Risk Register at its December 2015 meeting, with a risk management training workshop facilitated by the Council's risk advisors held for Members in March 2016.

The Strategic Risk Register (SRR) has been reviewed, updated and re-scored by the members of the Council's Governance & Risk Group in October 2016. The updated document has also been reviewed by the Lead Officer and Lead Member for risk management and their comments incorporated. (Changes to the wording are highlighted in the attached document).

Since the last update, significant changes have taken place nationally that will affect the Council going forward. The Council continues to make progress against its Vision 2020 programme to best position itself to provide key services in the future and a management restructure is currently under way.

The SRR update has considered these events, the Council's progress relating to the risk areas identified and the mitigating actions that are in place to reduce the level of the risks. It must, however, be recognized that the strategic risks are largely longer-term and that the impact of external factors (e.g. Brexit progress, Government policy changes, etc.) remains uncertain.

The Council's Risk Management Policy Statement & Strategy document has also been reviewed but will be brought to a future meeting of the Committee, as the main changes that are required will be in respect of responsible officers / groups and their titles which will be changing as part of the management restructure and have not yet been finalised.

3. CONCLUSION

The Committee is requested to note the content of this report and to note and approve the revised Strategic Risk Register.

Background Papers: **None**

Contact: **Stephen Pearce** **ext 37561**

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

ARUN DISTRICT COUNCIL – Risk Profile




Likelihood	4 Certain				1, 6a
	3 Probable		6b	2, 8	7, 9
	2 Possible		5, 10	3, 4, 11	
	1 Unlikely				12
Impact		1 Insignificant	2 Marginal	3 Significant	4 Severe

Risk No.	Risk Scenario Title
1	Finance
2	Change Management and Shared Services
3	Regeneration and Economic Development
4	Contracts Management
5	Member Engagement and Capacity
6a	Homelessness
6b	Affordable Housing Development
7	Local Plan
8	Partnerships
9	Information and Data Security
10	Community Engagement and Customer Insight
11	Coastal Protection & Land Drainage
12	Corporate Business Continuity

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The overall risk rating score is Likelihood x Impact

The matrix has 3 filters – red, amber and green:-

	Red risks are those which cause the Council or service greatest concern, are in need of closer attention and may require more frequent scrutiny, review and reporting
	Amber risks are those that should be reviewed periodically to determine if practical steps can be taken to reduce the scoring to 'green' and the control measures in operation regularly reviewed
	Green risks are likely to require no further action but should still be subject to review

Updated following review at Audit & Governance Committee meeting 8 December 2016

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
1	16	<ul style="list-style-type: none"> Uncertainty around outcome on local enterprise partnerships and business rates changes Uncertainty over future central government funding CIL funding changes Increased pension fund deficit issues Reduction in government grants going forward Impact of increase in immigration Interest rate uncertainty Impact of squeeze on HRA rents Uncertainty around outcome of welfare reform Detailed transformation plan to tackle the Council's General Fund deficit is delayed 'Vision 2020' work fails to achieve required level of savings Leaving the European Union – increased uncertainty over the economy 	<p>Finance</p> <p>The council faces a great deal of financial uncertainty which could result in budget deficits, loss of HRA & General Fund balance etc.</p> <p>Deficit worsens and balances reach minimum level in a shorter period of time</p> <p>There is currently agreed timescale for Brexit following the referendum, although the Government has indicated that Article 50 will be by the end of May 2017 (although this could be subject to legal challenge)</p>	<ul style="list-style-type: none"> Financial insecurity and possible extra local funding to be found Possible pressure to further outsource service areas The council may fail to realise capital investment and/or income generation opportunities Potential for a top slice of Council reserves to be acquired by Central Government Additional savings to be made in future years National and institutional investment uncertainty – UK credit ratings reduced Interest rate cut, reducing treasury investment returns Loss of EU grant funding (regeneration impact) Further pressure on demand-led services e.g. benefits, homelessness, etc. Possible negative impact on housebuilding, etc. Additional contributions required to LGPS 	<ul style="list-style-type: none"> ADC initially accepted the 10% loss in Council Tax Support funding. New scheme proposal for 2017-on agreed by Member working party and out to consultation Good culture of financial management previously = strong position going forward Strong asset management Appetite to invest capital strategically Treasury strategy / good investment performance – monitoring of available investment opportunities 'Vision 2020' work progressing, to consider income opportunities, alternative service delivery mechanisms, cost savings Innovative schemes being considered e.g. Local Housing Company Leader involvement in LGA and DCN lobbying, etc. Monitoring of possible changes to Government policy, legislation, etc. Other more innovative investment schemes being considered, but higher risk to obtain rewards Efficiency Plan bid to obtain 4 year funding settlement
2	9	<ul style="list-style-type: none"> Historical culture of risk aversion and resistance to change Ineffective prioritisation in a smaller organisation Until Vision is agreed, piecemeal change initiatives could have short life / waste resources 'Vision 2020' outcomes are likely 	<p>Change Management and Shared Services</p> <p>The council may not have the resource capacity (numbers, knowledge, expertise); and staff and members may have inherent resistance to change which</p>	<ul style="list-style-type: none"> Knowledge gaps are not filled (loss of experienced managers / staff) If capable staff are not developed internally and given opportunities they are more likely to leave – long term recruitment and retention issues. 	<ul style="list-style-type: none"> Less "silo" working and more cohesive working becoming apparent Training and development plans considered in annual performance review Management Development Programme and New Manager programmes progressed Short vs Long term sickness absence

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

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		<p>to result in significant change, in challenging timescales, with further impact on day-to-day resources</p> <ul style="list-style-type: none"> • 'Vision 2020' work and management restructure taking place at the same time, stretching resources and possibly leading to conflicting outcomes • Uncertainty surrounding Government's 'devolution' agenda • Arun considering shared service arrangements with neighbours, but consensus not yet reached • Shared service cost savings may not be significant or are not delivered • Uncertainty surrounding Government's 'devolution' agenda 	<p>will make it difficult to deliver the strategic outcomes</p> <p>If shared services are not robustly governed, they may not offer the best longer-term value for ADC. There may also be missed opportunities by not exploring enough options</p>	<ul style="list-style-type: none"> • Lower morale and motivation (may increase in areas of potential outsourcing) • Possible increase in sickness absence, stress claims etc. • Potential governance issues in unfamiliar roles • Loss of strategic vision as operational duties (the day job) takes over • Political and management change harder to implement and embed • There may be lost opportunities for sharing services and work • Reliability of service delivery • Customer dissatisfaction / loss of trust or confidence within community • Potential reputational issues • More financial pressure on services • Projects fail to deliver desired outcomes 	<p>reported to Cabinet</p> <ul style="list-style-type: none"> • Capital project plan agreed by Cabinet to allow for initial work load prioritisation • 'Vision 2020' work progressing with officers and Members – business processing and structure to be reviewed; alternative service delivery mechanisms to be examined. Initial shared services review progressing to detailed business case stage for decision in early 2017 • Consultants to advise on new management structure • Director of Transformation to oversee / implement shared / transformed services changes once agreed (2017-2018 structure) • All shared services will be set up for a minimum of 5 years to enable success to be measured and the agreement(s) will include penalties to cover potential losses / costs of separation should a partner subsequently withdraw. • Elements of shared services with other public bodies are working well • Council open to looking at more shared services and partnerships in future
3	6	<ul style="list-style-type: none"> • Lack of visible progress with Bognor Regis developments / termination of old St Modwen arrangement • Lack of action plan to deliver the long term regeneration strategies (for Bognor Regis and generally throughout ADC) – more cohesion required. • Decisions not made swiftly enough – political will? • Historical trend for regeneration under-achievement • Lack of public/partner acceptance of, and buy-in to 	<p>Regeneration and Economic Development</p> <p>The plans to develop Bognor Regis are vulnerable to challenge and delays. The council may also be unable to agree a wider mid-long term strategy for economic development and regeneration across the district</p>	<ul style="list-style-type: none"> • Developers and investors could be deterred • Possible legal issues from developer plans submitted in advance of Council consideration of schemes • Missed opportunities to invest in areas of development potential • Reputational issues around non-delivery • Development of council land (car parks, etc.) could mean loss of income stream • Lack of growth • Increase in economic stagnation 	<ul style="list-style-type: none"> • Options for Regis Centre and Hothampton sites to be considered by consultants • Revised Sir Richard Hotham planning application submitted for consideration • Council to determine landowner position ahead of any final decisions • ADC leadership commitment to regeneration objectives to drive the project forward • Some capital spend projects progressed (East Bank, River Arun, Hotham Park café, etc.) • Bognor Regis Seafront Delivery Plan to progress • Funding bid to progress for Littlehampton

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

		<ul style="list-style-type: none"> strategies Legal challenges increase Reduced Council powers to deliver Multiple major projects running simultaneously – resource stretched Impact of growth of Butlins and Chichester University influencing local market conditions 		<ul style="list-style-type: none"> Area turns into a commuter belt and is not regenerated leading to decline Financial and reputational risk / poor publicity 	<ul style="list-style-type: none"> regeneration ideas Central funding obtained and significant progress made on some regeneration schemes (Bognor Regis public realm, BR station) National supermarket chains investing in the district Rolls Royce investment programme at Bognor Regis Enterprise Zone Potential for Bognor Regis BID to be established Continued working with key partners (e.g. Butlins, Chichester University) Projects prioritised to best use available resource
4	6	<ul style="list-style-type: none"> Major contracts let (waste collection, leisure, greenspace) - contractors may not be making the expected savings, achieve the level of external investment, or provide service to the expected standard. Public health transition may put leisure services under more pressure and scrutiny Political commitment to weekly waste collections impacting future contract costs Council may be reliant on third party (e.g. WSCC) timescales New leisure centre project awaiting progress on design, finances, etc. 	Contracts Management The Council has recently let (or is re-tendering for) a number of its most significant contracts due for re-tendering shortly (leisure, waste management, grounds maintenance, services for the elderly)	<ul style="list-style-type: none"> Tension between existing contractors and the council through tendering / change periods Poor publicity / reputational issues Cost savings are not achieved Service quality deteriorates 	<ul style="list-style-type: none"> Contract specialists used for the re-tender processes Procurement Strategy in place Leisure management officer resource in place Clearer communication of council's expectations of contractor(s) Strategic view going forward Leisure Management and Greenspace contracts awarded with significant savings and investment commitment Waste management contract re-tendering requirements being considered by Members Services for activities for the elderly being progressed as joint procurement exercise with WSCC Specialist advice being obtained and resource allocated to progress project to build new leisure centre
5	4	<ul style="list-style-type: none"> Some members fail to engage wholeheartedly with processes (don't attend training, fail to embrace electronic working practices / revised IT systems, 	Member Engagement and Capacity The complexity of current legislation could lead to	<ul style="list-style-type: none"> Strained relationships between officers and members IT and printing cost savings not achieved Potential DPA / FOI issues 	<ul style="list-style-type: none"> Overall member desire to see council move forward Common goals clearly understood and agreed – Member involvement in 'Vision 2020' work and consideration of

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

Page 46 of 61 6a		<p>etc.)</p> <ul style="list-style-type: none"> Lack of strategic lead by members Small opposition Some lack of understanding of resource requirements and change issues Unwillingness by many members to communicate unpopular changes and decisions to the public Member decisions are slow and over-bureaucratic Lack of interest by backbenchers Some members are county councillors and Parish/Town Councillors leading to "twin-hatting or triple hatting" Uncertainty concerning potential future 'devolution' 	<p>some members not having the necessary skill-set to meet the demands of the changes and increasing financial and service delivery pressures facing the council</p>	<ul style="list-style-type: none"> Some blurring of responsibility between members and officers, leading to slower decision making More vulnerability to governance and compliance failures Decisions held up by process Less ownership and leadership at local levels through lack of engagement 	<p>alternative service delivery mechanisms</p> <ul style="list-style-type: none"> Cabinet Working Party review of scheme of delegation of authority Scrutiny focus expected to change Agreed Corporate Plan with focus on key issues (to act as a "temperature gauge") Induction plan for new members in place – detailed programme undertaken after the May 2015 Elections
	16	<ul style="list-style-type: none"> Overarching homelessness strategy – but service needs to be more proactive Increase in demands on the Council 'Squeeze' on rents will have an impact on HRA, Council house building and RSLs in the area Uncertainty over Government 'levies' (e.g. pay to stay, sale of high value properties, etc.) Increase in immigration due to current EEC Policy on free movement and current crises in Middle East and Africa Increase in demands from the Welfare Reform Act Significant increase in university campus at Bognor will impact availability of accommodation Uncertainty over government 	<p>Homelessness</p> <p>The council may not be able to provide sufficient affordable housing and/or temporary accommodation, at a time when the community in general is under great pressure from the Welfare Reforms</p>	<ul style="list-style-type: none"> More vulnerable people and increase on council demands Future increase in number of homeless Extra bed and breakfast costs being incurred again in future Council may not fulfil statutory obligations Universal Credit leading to tenancies ending & mortgage costs increasing leading to foreclosure Increased demand on customer services – enquiries, complaints, etc. Failure to increase Council housing stock Increased borrowing Poor publicity / reputational risk 	<ul style="list-style-type: none"> New strategy to cut waiting lists realistically including re-definition of the qualification criteria More effective processes leading to current reduction in B&B costs incurred New Housing system implemented Housing contracts being examined and reviewed Council commitment toward building new affordable homes and bringing empty homes into re-use Investigating the potential purchase of a property by the Council as part alternative to continued use of private bed & breakfast accommodation

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

		benefit changes – Universal Credit, etc. <ul style="list-style-type: none"> Lack of internal officer capacity to deliver changes in addition to existing capital programme Impact of HMO's becoming student or staff accommodation on local rental market stock 			
6b	6	<ul style="list-style-type: none"> Lack of in depth internal development expertise for house building Internal legal and finance teams capacity is stretched Lack of available and fit for purpose properties (council able to build or buy but requirement is for smaller properties) Lack of Council-owned land for further development New developments vulnerable to challenge from members and community Uncertainty over changes to Government Right to Buy Scheme and additional Government 'levies' Reduction in the amount of stock from RTB release, leading to reduced rental income Significant negative impacts of Government changes to national rent setting policy on HRA Business Plan Reduction in HCA grants for affordable housing Possible clawback of Right To Buy (RTB) 1:1 receipts if not used in time Delay in new house build program Government legislative changes 	Affordable Housing Development The council may not be able to fulfil the development targets for building new homes	<ul style="list-style-type: none"> Reputational issues for council & revenue investment not maximised Delays in building new Council housing / reduction in proposed scheme due to lack of finance Reviews and changes are resource intensive Impact on council legal team resource / extra costs of external resource Significant reduction in HRA rent income Development schemes are less economically viable and not progressed by landowners Area is not seen as a viable market for development Potential return to Government of 1:1 receipts Forced sale of properties to meet Government requirements 	<ul style="list-style-type: none"> as 6A above Updated strategic housing strategy under development Requirement for proportion of new developments to be affordable housing (e.g. via S106) Review of Council-owned land for possible development Engagement with appropriate partners to attract funding and development Monitoring / reporting of RTB 1:1 receipts to CMT and Cabinet Establishment of Local Housing Company being considered as part of 'Vision 2020' work

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

		<ul style="list-style-type: none"> not encouraging Local Authorities to build at social rents Infrastructure deficit (e.g. GP reductions) could lead to lower take up of housing in the area 			
7	12	<ul style="list-style-type: none"> Political disagreement causes further delay and changes to the new Plan and policies Delivery now delayed 12-18 months at recommendation of Planning Inspector. Local Plan will not now be delivered before 2017-18 – distance between last and next plans Loss of planning led infrastructure investment funding from developers Loss of funding from New Homes Bonus (NHB) to sustain Council's delivery of services More neighbourhood plans are being developed at Parish/Town Council level Loss of Community Infrastructure Levy contributions 	Local Plan <p>The non-existence of a Local Plan leaves the council vulnerable to developers. There is also the possibility of loss of corporate identity & inward infrastructure funding</p>	<ul style="list-style-type: none"> Random developments and no cohesion within the area Increase in Objectively Assessed Needs numbers – further sites need to be identified Concern that OAN will increase further in 12-18 months suspension period Possible additional requirements transferred from neighbouring authorities Increased staff and consultant costs Wrong type of investment for area Loss of corporate control and reputational damage Less ability to make strategic planning decisions Financial risk – loss of Section 106 and CIL monies until Plan is delivered Potentially significant financial shortfall if NHB is removed or reduced Loss of developer funding 'Made' Neighbourhood Plans may need redevelopment and referenda Increased infrastructure deficit 	<ul style="list-style-type: none"> Local Plan submission being reassessed following Inspector comments – new action plan and timescales agreed More information to members (seminars and workshops, etc.) to explain the issues & Government requirements and implications thereof Planning department resource remains under review
8	9	<ul style="list-style-type: none"> Council may enter into arrangements which do not serve its longer-term best interests Informal and voluntary partnership arrangements 	Partnerships <p>If key partnerships are not robustly governed, they may not offer the best longer-term value for ADC. There may</p>	<ul style="list-style-type: none"> There may be lost opportunities for sharing services and work Reliability of service delivery Customer dissatisfaction / loss of trust or confidence within 	<ul style="list-style-type: none"> Council open to looking at more shared services and partnerships in future Engagement with external partner agencies Roles and responsibilities, priorities,

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

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		<ul style="list-style-type: none"> Public health transition will mean partnership working with NHS clinical commissioning groups – significant local concerns in respect of GP practice closures Government impetus to share more leading from funding reductions & potential lessening of political control Lack of understanding of potential opportunities in the market places Increased financial pressure on all parties Increased partnership complexity – both contractually and through service delivery Lack of definition surrounding the constitution of a partnership, grants and shared service Reduction / lack of commitment from external partner agencies Impact of Local Policing Plan putting greater pressure on specific Council services e.g. Community Safety, Environmental Health, Housing, etc. 	also be missed opportunities by not exploring enough options	community <ul style="list-style-type: none"> Potential reputational issues Lack of governance and clarity around objectives of partnerships New responsibilities for council with the public health transition Funding reductions means having to find different income streams More financial pressure on services Projects fail to deliver desired outcomes 	finances, etc. defined as part of arrangements <ul style="list-style-type: none"> 'Partnership' definition agreed by CMT to inform relevant discussions on Vision
9	12	<ul style="list-style-type: none"> Increasing FOI and DPA requests (national issue) / complexity and limited resources which are stretched Council may be recording or have access to more data as a result of public health transition, etc. More information sharing can lead to less control Lack of Member awareness on information governance and data security requirements and 	Information Governance and Data Security The council is facing an increased risk of cyber threat or breach of Data Protection Act	<ul style="list-style-type: none"> Increased vulnerability to breach of Data Protection Act, virus and cyber-attack etc. leading to reputational damage / financial penalties Less time within Legal Team to deal with issues could lead to mistakes, etc. Lack of clarity around what information is where and who is responsible for it Certain Council services being unable to function without PSN 	<ul style="list-style-type: none"> Trained resource to handle FOI / DPA requests DPA / FOI training programme progressed for staff Member training provided after 2015 Elections Proprietary security software in use on pc's, networks and mobile devices Council networks reviewed by consultant and certification to Public Services Network (PSN) standard achieved for 2015/16 (with annual re-certification being progressed)

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2016/17

		<ul style="list-style-type: none"> standards. Lack of formal mandatory training Increasing Cabinet standards in relation to information governance and data security Additional burden expected from EU General Data Protection Regulation (GDPR) Increased threat of cyber attacks (viruses, malware, security breaches, etc.) 		<ul style="list-style-type: none"> compliance Potential ICO censure / financial costs Poor publicity / reputational issues 	<ul style="list-style-type: none"> ICO guidance on preparation for General Data Protection Regulation (GDPR) reviewed and being progressed
10	4	<ul style="list-style-type: none"> Understanding of customer/community “needs” vs “wants to have” can be patchy across the council Council commitment to digital strategy - over reliance on web-based systems could alienate public and councillors Council not maximising social media and other communication methods The next generation of council service users will have different needs and expectations and could become alienated by traditional methods of delivery of information If changes not progressed effectively, then risk will be increased 	Community Engagement and Customer Insight Risk of failure to engage effectively with the community, either by communicating the council's objectives and service plans or understanding and managing customer expectations	<ul style="list-style-type: none"> More difficult to formulate and deliver effective and relevant Local Plan Difficulty communicating changes to service delivery Failure to maximise opportunities within the community Rural opportunities could be overlooked 	<ul style="list-style-type: none"> Your Council 2013- 2017 – service area objectives / Corporate Plan adopted Revised Customer Services Strategy in progress Positive LGA Peer Review in 2014 Website redeveloped and launched in 2015 Council commitment to providing more digital opportunities. Further work on website development and social media channels required, but linked to possible shared service arrangements for IT and Customer Services
11	6	<ul style="list-style-type: none"> Multiple agencies / property owners involved – requirement for individual decisions delaying actions Bad weather increases rate of erosion / chances of flash flooding Longer term – climate change and sea level rise 	Coastal Protection & Land Drainage Some areas of the District are subject to significant erosion issues, with a high risk to dwellings The Council must fulfil its responsibilities as landowner	<ul style="list-style-type: none"> Loss of residents' homes Flood damage to property, land and infrastructure H&S issues Increased costs Reputational issues / poor publicity Need for temporary housing 	Coastal Protection:- <ul style="list-style-type: none"> Council installing additional short-term defences (heavy rocks and shingle recycling) Engaging with residents and Parish Councils Engaging with other relevant authorities (e.g. Environment Agency, Chichester DC)

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		<p>Coastal Protection:-</p> <ul style="list-style-type: none"> Delays due to legislative / regulatory requirements e.g. environmental studies Conflicting opinions as to required solution Insufficient funding to deliver scheme(s) Rapid deterioration of short-term improvements <p>Land Drainage:-</p> <ul style="list-style-type: none"> All parties (across the network) need to be aware 	<p>(riparian) under the Land Drainage Act to ensure that its part of the whole network functions effectively</p>	<p>Coastal Protection:-</p> <ul style="list-style-type: none"> Increased risk of problem extending to neighbouring coastal areas Environmental impact 	<ul style="list-style-type: none"> Lobbying central government Some partnership grant funding provided to approved major flood and coastal risk management schemes <p>Land Drainage</p> <ul style="list-style-type: none"> Working with EA (automated flood warning) and WSCC (LLFA) Monitoring weather forecasts and noting / responding to Met Office alerts Engaging with Parishes and flood groups across the District Emergency Planning engages with relevant bodies
12	4	<ul style="list-style-type: none"> Increased threat of cyber attack (viruses, malware, security breaches, etc.) Threat of loss of buildings / infrastructure through fire or other incident Increased vulnerability to key services as a result of centralisation under shared service arrangements 	<p>Corporate Business Continuity</p> <p>The Council is facing increased risk of cyber attack</p> <p>There is a risk to business continuity from a major incident either directly impacting the Council's infrastructure / services or the provision of key services, etc. by contractors / suppliers</p> <p>Mass loss of staff through illness e.g. pandemic</p>	<ul style="list-style-type: none"> Increased vulnerability to cyber threats leading to loss of IT services Loss of buildings or access to buildings through fire damage or other serious environmental incident, etc. Loss of major contractors / suppliers through a major incident affecting their infrastructure / staff Inability to provide key services / reputational issues 	<ul style="list-style-type: none"> IT deploy appropriate security measures to minimise cyber risks (e.g. firewalls, anti-virus checking, etc.) Corporate Business Continuity Plan developed Service Business Impact Analysis (BIA) and Business Continuity Plans (BCP) to be reviewed and updated annually for all functions Workspace recovery plans to address identified impacts and plans Regular testing of 'Day 1 ' critical plans to be implemented Procurement tender processes require major contractors to have business continuity plans in place Shared service business cases to consider future accommodation requirements, resilience, etc.

AGENDA ITEM NO. 10ARUN DISTRICT COUNCILAUDIT & GOVERNANCE COMMITTEE8 DECEMBER 2016Information Paper

Subject : Progress Against the Audit Plan

Report by : Chief Internal Auditor

Report date : 17 November 2016

EXECUTIVE SUMMARY

Each year Internal Audit undertakes its work against an annual audit plan, as approved by the Audit & Governance Committee at the beginning of the financial year.

The Committee is required to oversee the provision of an adequate and effective internal audit service.

1. INTRODUCTION

A revised Plan was presented to the Committee at its September meeting due to a reduction in audit resource available. The aim of this was to ensure that mandatory work is completed, that there is appropriate involvement in the progress of the Vision 2020 initiative and, where practical, to progress audit work on the highest risk areas identified in the original Plan.

However, the Committee was advised that with the proposed management restructure and further phases of the Vision 2020 work still to be progressed, there is considerable uncertainty as to where audit resource may be required in the remainder of the year.

Since the September meeting, the work of the section has focused on:-

- input to the preparation of a Full Business Case for a possible shared audit service, via the project workstream including senior internal audit staff from Chichester and Horsham Councils. (A decision on the way forward is due from Cabinet in February 2017)
- review of the initial papers and due diligence work for the potential creation of a wholly-owned Local Housing Company, as part of the Council's Vision 2020 Programme
- involvement in the financial management system replacement project. The new e5 system was implemented in October 2016 and work has been required to confirm that the implementation has been effective and that required data has been converted completely and accurately
- familiarisation with the aspects of the new e5 system that will be required for mandatory testing on behalf of the external auditors which is due to be undertaken early in 2017 (changed processes and records for general ledger, purchase ledger and sundry debts)

- final testing of records on the old systems (FMS and Task) for the 2016/17 financial year, prior to their archiving / de-commissioning.

Work on other areas of the Council has therefore been limited in the last quarter.

As in previous quarters, a supplementary status report is attached on areas where audit involvement is principally liaison / progress monitoring.

2. CONCLUSION

The Committee is requested to note the update contained in this report and also the content of the status report provided.

Contact: Stephen Pearse ext 37561

Internal Audit

Status Report as at November 2016

<u>Audit Entity</u>	<u>Key Service Area Activities</u>	<u>Future Milestones</u>	<u>Issues / Notes</u>
CHIEF EXECUTIVE			
CE01 – Performance & Improvement	<ul style="list-style-type: none"> Revised priorities and Corporate Plan implemented from 2013/14 2015/16 annual outturn against the Corporate Plan indicators (Cabinet - June 2016) Existing Priorities re-confirmed for 2017-21 Corporate Plan indicators reviewed and rolled-over into 2017 	<ul style="list-style-type: none"> Quarterly monitoring by CMT and Cabinet members Corporate Plan indicators to be reviewed in 2017 for use for 2018-21 	<ul style="list-style-type: none"> 2020 Vision being progressed by CMT and with Members Phase 1 - support services sharing potential now under review with other Councils
CE02 – Communications	<ul style="list-style-type: none"> Council publicity/ reputational issues Web design and support – to be a key element of the Customer Service Access Strategy Staffing / capacity issues partly resolved Webmaster for future content development appointed 	<ul style="list-style-type: none"> Future use of social media for PR and customer services to be considered Although future intranet platform agreed, this is now on hold pending consideration of possible shared service options 	<ul style="list-style-type: none"> The current capacity and knowledge to support and progress the Council's web, etc. activity is still to be completely addressed – requires a digital strategy to be put in place, which is now likely to be linked to any shared service arrangement
CE05 – Elections & Electoral Registration	<ul style="list-style-type: none"> Progress of Individual Elector Registration (IER) Review of polling districts, polling places and polling stations ongoing Annual canvass completed in 2016 Bognor Parish poll performed in April 2016 Police & Crime Commissioner election held in May 2016 EU Referendum held in June 2016 Removal of entries from 2015 IER Electoral Roll completed (required additional review / confirmation) 	<ul style="list-style-type: none"> Preparation / conduct of town / parish by-elections and Neighbourhood Plan referenda (as required) Head of Democratic Services provides reports to Electoral Review Sub-Committee on progress / results 	<ul style="list-style-type: none"> New IER registrations are required to provide Nino
CE06 – Members' IT & Allowances	<ul style="list-style-type: none"> Member Working Party set up, with Officer input, to review provision of future IT to 	Independent Members' Remuneration Panel full review (including IT) on hold, pending	<ul style="list-style-type: none"> Voluntary scheme is 'cost neutral' and does not provide a single solution / is

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	<p>Members</p> <ul style="list-style-type: none"> All members provided with arun.gov.uk email addresses Council-approved security solution installed on Council and some member-owned devices in use Members' IT scheme in place post-2015 elections – report back to Working Party due in 2017 	results of Vision 2020 work	<p>not paper free</p> <ul style="list-style-type: none"> Lack of progress on Committees electronic papers, including handling of 'exempt' documents Vision 2020 aim is still to move to a digital solution
RESOURCES			
RE04 – Purchase Ledger	<ul style="list-style-type: none"> Paper-based ordering and authorisation has now been replaced with a final solution as part of the e5 implementation Matched invoices are due to be progressed automatically by the new system 	<ul style="list-style-type: none"> e5 system implemented in October 2016. Some issues still being progressed and need for staff to familiarise themselves with the new system (possible additional training to be provided) 	<ul style="list-style-type: none"> Notification to suppliers and staff that invoice processing will be delayed if no order has been raised
RE10 – Estate Management & Concessions	<ul style="list-style-type: none"> Ongoing liaison with Chichester District Council regarding outsourced arrangement Review / update of processes at Arun and Chichester completed Liaison with Finance and Chichester DC staff in respect of annual valuation queries / issues Principal Estates Surveyor post now filled 	<ul style="list-style-type: none"> Consideration of most effective way to provide future services for Estates and valuations – option to bring back in-house from CDC being evaluated 	
ENVIRONMENTAL SERVICES			
ES01 – Environmental Health	<ul style="list-style-type: none"> Business requirements for a replacement EH system being finalised 	<ul style="list-style-type: none"> Tender process for external system expected to commence in December 2016 Implementation due in 2017/18 	
ES06 – Leisure Strategy / Management	<ul style="list-style-type: none"> Leisure Strategy options agreed and approved by Full Council (May 2013) after consultant reports and public consultation 	<ul style="list-style-type: none"> Project commenced for replacement of Littlehampton swimming pool / leisure centre, including public consultation 	<ul style="list-style-type: none"> Future capital investment will be progressed between Council and new operator

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	<ul style="list-style-type: none"> Options for 'A New Leisure Centre For Littlehampton' agreed by Cabinet (July 2014) Capital spend on some existing Council buildings / facilities (currently in use by Inspire) agreed by Cabinet (annually) New leisure contract provider in place from April 2016 Developer appointed for Littlehampton swimming pool / leisure centre replacement 	<ul style="list-style-type: none"> Report on first 6 months operation of leisure contract to be provided to Cabinet 	
ES12 – Voluntary Sector	<ul style="list-style-type: none"> Joint Communities Advice Services Contract in place Future Activity Centre Provision under review as part of Vision work, in conjunction with WSCC and Age UK <ul style="list-style-type: none"> short extension negotiated to lease on Tamarisk Centre to coincide with financial year end to allow further time to agree new service provision 'Safeguarding' agenda <ul style="list-style-type: none"> including considerations from Care Act 2014 new policy reviewed by A&GC, and adopted by Full Council in January 2016 	<ul style="list-style-type: none"> Current / future Day Centre services <ul style="list-style-type: none"> contracts expire in 2016 – future options to be investigated with WSCC and tendering exercise will take place Age UK investigating alternative provision arrangements Voluntary sector liaison Ongoing consideration as part of Vision work Report on funding for community and voluntary sector support to be provided to Cabinet 	
PLANNING & ECONOMIC REGENERATION			
PL01 – Planning Services	<ul style="list-style-type: none"> Assistance to Town & Parish Councils in developing Neighbourhood Plans Draft Local Plan and supporting policies subject to examination in public by the Planning Inspectorate (June 2015) Local Plan examination now suspended for 12-18 months - housing numbers 	<ul style="list-style-type: none"> Updated documents and Local Plan to be provided to Members in early 2017, prior to further public consultation and re-submission to the Planning Inspectorate 	<ul style="list-style-type: none"> Publicity issues surrounding chosen sites, suspension of examination and further delay to agreement of Local Plan – possible financial impact to Council Additional issues with Planning appeals

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	(Objectively Assessed Needs) challenged by Planning Inspectorate – requirement to update studies, etc. for future re-submission		<ul style="list-style-type: none"> Potential future Government intervention / penalties for Councils without a Local Plan
PL06 – Economic Regeneration	<ul style="list-style-type: none"> St Modwen's Development Agreement eventually terminated in September 2014 Capital spend on several regeneration items agreed by Cabinet Coastal Communities Fund grants received to extend Bognor Regis Public Realm developments Littlehampton East Bank development completed (with EA, etc.) Hotham Park café development completed Bognor Regis Public Realm improvement works progressing Ideas / consultation responses presented to Full Council in July 2015 Follow-up report on Regeneration of the Regis Centre and Hothamton Car Park Sites presented to Full Council in November 2015 Feasibility studies into delivery options to be commissioned in 2016 Enterprise Bognor Regis progressing Initial Sir Richard Hotham Project planning application considered 	<ul style="list-style-type: none"> Seafront concessions strategy / consultant recommendations to be progressed Further reports on regeneration schemes for the Regis Centre and Hothamton sites to be presented to future Full Council meetings Amended Sir Richard Hotham Project planning application received Report on potential Business Improvement District (BID) for Bognor Regis to be provided to Cabinet 	<ul style="list-style-type: none"> Publicity issues surrounding regeneration proposals / progress, including legality of extension (EU procurement legislation), subsequent termination and achieving best value Publicity / reputational issues surrounding Sir Richard Hotham Project planning application in respect of regeneration
CUSTOMER SERVICES			
CS01 – Housing Services (incl. Homelessness)	<ul style="list-style-type: none"> Housing Allocations Scheme reviewed in 2014 Homelessness Strategy 2012-2016 in place Glenlogie improved and retained as rough weather shelter / temporary accommodation QL system implementation completed Pilot exercise of dedicated Housing Fraud Investigator – commenced January 2016 	<ul style="list-style-type: none"> Future Homelessness Strategy to be progressed 	<ul style="list-style-type: none"> Additional funding drawn-down for B&B costs

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CS02 – Housing Repairs	<ul style="list-style-type: none"> Gas servicing contracts awarded from 1/4/15 after re-tender process New QL system implementation completed Organisational restructure completed 		<ul style="list-style-type: none"> Cabinet concerns over cost of voids work
CS06 – Human Resources	<ul style="list-style-type: none"> Progress of HR Improvement Plan items Progress of LGPS changes Review of HR policies for ‘harmonisation’ as part of shared service work to be progressed 	<ul style="list-style-type: none"> Officer Code of Conduct revision being progressed (with Legal Services) Various e-learning facilities being developed 	<ul style="list-style-type: none"> Future capacity issues to be considered – revised HR Workplan raised Additional self-service facilities to be developed on SumTotal system (e.g. leave) Vision 2020 Phase 1 - support services sharing potential now under review with other Councils
CS07 - Training	<ul style="list-style-type: none"> Development of modules on Learning Pool (e-learning) site Learning Pool issues / support progressed Revision of staff induction processes Management Development Programme progressed 	<ul style="list-style-type: none"> Revised PDR process introduced 	<ul style="list-style-type: none"> Potential increased training needs for data protection and security issues arising from IT PSN changes Some key training areas (e.g. DP, FOI) will be progressed by Services via e-learning (or e-forms)
CS09 – Customer Services	<ul style="list-style-type: none"> Customer Service Access Strategy raised LGA Peer Review in March 2014 Progress is now linked to investigation of a possible shared service 	<ul style="list-style-type: none"> Customer Service aspects of Peer Review Action Plan included in Customer Services Strategy 2013-2017 Customer Services workstream now to be linked to Revenues & Benefits shared services workstream 	<ul style="list-style-type: none"> Non-Customer Service aspects of Peer Review Action Plan included in CEO’s ‘2020 Vision’ paper Vision 2020 Phase 1 - support services sharing potential now under review with other Councils
CS11 – Equalities	<ul style="list-style-type: none"> No longer a formal framework process, but principles being followed to:- <ul style="list-style-type: none"> agree simplified strategy and policies develop the necessary training programme Equalities & Diversity Policy and 		

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	<p>associated action plan presented to Audit & Governance Committee in June 2014 and adopted by Full Council in July 2014</p> <ul style="list-style-type: none"> • New Policy published as part of website development (Mar 2015) • Member training provided • Officer training progressed via e-learning 		
CS12 – Information Technology	<ul style="list-style-type: none"> • Consultant / IT work on Public Services Network (PSN) issues - first PSN certification received from Cabinet Office January 2014 • Initial internal accreditation completed • Capital spend on several future IT items agreed by Cabinet (annual) • Re-certification received from Cabinet Office (September 2015) • Cabinet Office ‘audit’ of submission completed after 2015 certification 	<ul style="list-style-type: none"> • Completion of required changes from the PSN certification process e.g. additional hardware, policy changes, increased awareness, etc. • 2016 re-certification in progress • Future process and security requirements to be identified and progressed 	<ul style="list-style-type: none"> • Certification and internal accreditation will be required annually • Further IT costs to maintain compliance • Increased national focus on cyber security risks • Vision 2020 Phase 1 - support services sharing potential now under review with other Councils
CS15 – PCI-DSS Compliance	<ul style="list-style-type: none"> • PCI-DSS v3.2 published • Contact Centre call recording solution issues resolved • External advice on how to progress obtained by IT • Review by external consultant has considered Council operations and level of compliance (Nov 2014) 	<ul style="list-style-type: none"> • Costs and requirements to achieve compliance (based on consultant report) to be considered and advised to management • Once Council is compliant, completion of appropriate Self-Assessment Questionnaire (SAQ), with supporting evidence to meet requirements (e.g. network scans) • Identification and engagement of assessor for certification • Submission and acceptance of SAQ will be required annually 	<ul style="list-style-type: none"> • Monthly fee (£50) being paid to HSBC for non-compliance – expected to be increased to become a per transaction fee, but not yet applied by bank (pressure to achieve certification) • Vision 2020 Phase 1 - support services sharing potential now under review with other Councils
CORPORATE			
CP02 – Information & Data Governance	<ul style="list-style-type: none"> • General Data Protection Regulation (GDPR) requirements identified 	<ul style="list-style-type: none"> • Once data held has been identified, consideration will be given to the 	<ul style="list-style-type: none"> • Work may be affected by potential shared service arrangements for IT

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	<ul style="list-style-type: none"> • CMT and SMT briefed on requirements by Legal Services • Data 'audit' commenced 	<p>changes required to ensure the Council is GDPR-compliant by April 2018</p> <ul style="list-style-type: none"> • Various new policies / updates will be required 	<p>and Legal Services in the same time period</p> <ul style="list-style-type: none"> • Management restructure will also split the Council Advice & Monitoring Role area (including Information Management) from other legal activities
CP18 – Outsourcing / Shared Working	<ul style="list-style-type: none"> • A number of corporate support services are being investigated for sharing with Chichester and Horsham Councils as part of the Vision 2020 Programme • Outline Business Cases presented to Cabinet (7/16) • Cabinet Working Party reviewing case for a wholly owned Local Housing Company 	<ul style="list-style-type: none"> • Full business cases due for completion in 11/16 • Will require consideration by management teams, consultation with Unison, etc. before presenting to Cabinet for a decision in February 2017 • LHC due diligence / set up work progressing after Cabinet approval (10/16) 	<ul style="list-style-type: none"> • Initial services under consideration are:- <ul style="list-style-type: none"> ○ HR & Payroll ○ Internal Audit ○ Legal Services ○ ICT (ADC and CDC only) ○ Revenues & Benefits / Customer Services (ADC and CDC only) • LHC business case still to be proven
CP19 – Emerging Risks	<ul style="list-style-type: none"> • Risk workshop held by Zurich Municipal for the Audit & Governance Committee (March 2016) • Strategic Risk Register Risk Management Strategy and Strategic Risk Register in progress of being reviewed and updated in 2016 	<ul style="list-style-type: none"> • ZM provided list of current 'New Risk Horizon Scanning' topics for consideration by the Council 	<ul style="list-style-type: none"> • Potential risks will be kept under review by CMT, the Governance & Risk Group, Internal Audit and Service areas (as appropriate) • Likely to be significant increase in risk over finances and provision of services (linked to Vision work)
PROJECTS			
PR06 – HRA Business Plan	<ul style="list-style-type: none"> • Supplementary Estimates agreed by Full Council for first phase of Council House building and for further acquisition of suitable properties • Options and priorities agreed by Cabinet (August 2014) • Progress of new building at Wick still due to progress – Supplementary Estimate 8/15 • Buying new properties 'off plan' now 	<ul style="list-style-type: none"> • Progress of the acquisition of suitable existing properties (e.g. ex-RTB) to expand the housing stock • Identification of suitable sites for new builds and engagement with developers, etc. • Further review of HRA Business Plan is now required, when proposed government changes (e.g. rent) are 	<ul style="list-style-type: none"> • Unlikely to achieve published corporate targets • Lack of progress on new builds • Improved Government incentives have increased the number of new RTB sales, diminishing the housing stock and rental stream • Publicity issues surrounding proposed sites for new builds

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	<p>reduced</p> <ul style="list-style-type: none"> An update on the planned review of the HRA Business Plan was provided to the Overview Sect Committee in March 2016 	<p>finalised as financial impact may significantly reduce potential for house building / buying 'off plan'.</p>	<ul style="list-style-type: none"> 30% retained sums from RTB sales may not be used within timescales and may have to be returned to central government Impact of borrowing decisions on overall HRA – may be insufficient funds for work on e.g. sheltered schemes Continued uncertainty over the impact of Government proposals (e.g. higher value property levy, funding for RSLs and 'pay to stay')
PR07 – FMS Support / Replacement	<ul style="list-style-type: none"> Project team set up and holding regular meetings Supplier chosen and contract awarded Installation, development and testing work progressing for 10/16 implementation Staff training under way e5 system implemented in October 2016 to replace old FMS system and Task (sundry debtors) 	<ul style="list-style-type: none"> Outstanding issues being reviewed and referred to the vendor where appropriate Staff familiarisation with new system and processes under way 	<ul style="list-style-type: none"> Maintaining in-house system considered, but not practical Finance is not currently under consideration for a shared service arrangement as the 3 Councils operate different systems