



Public Document Pack

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Committee Manager Helen Burt (Ext 37614)

04 November 2021

AUDIT & GOVERNANCE COMMITTEE

A meeting of the Audit & Governance Committee will be held in the **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** on **Tuesday 16 November 2021 at 10.00 am** and you are requested to attend.

Members: Councillors Clayden (Chair), Chapman (Vice-Chair), Bennett, Chace, Goodheart, Haywood, Northeast, Oliver-Redgate, Oppler, Staniforth and Tilbrook

PLEASE NOTE: Subject to Covid-19 Risk Assessments members of the public are advised of the following:

Where public meetings are being held at the Arun Civic Centre, in order to best manage safe space available, members of the public are in the first instance asked to watch the meeting online via the Council's Committee pages – the meeting will be available to watch live via the internet [here](#).

- a) Where a member of the public has registered a request to take part in Public Question Time, they will be invited to submit the question in advance of the meeting to be read out by an Officer. There will be limited public access to this meeting and admission for public speakers will be by ticket only, bookable when submitting questions. Attendees will be asked to sit in an allocated seat in the public gallery on a first come first served basis. Only one ticket will be available for per person.
- b) It is recommended that all those attending take a lateral flow test prior to the meeting.
- c) All those attending the meeting will be required to wear face coverings and maintain safe distancing when in the building/meeting room.
- d) Members of the public must not attend any face to face meeting if they or a member of their household have Covid-19 symptoms.

*Any members of the public wishing to address the Committee meeting during Public Question Time, will need to email Committees@arun.gov.uk by **5.15 pm on Monday 8 November** in line with current Procedure Rules. It will be at the Chief Executive's/Chair's discretion if any questions received after this deadline are considered. Permitted questions will be read out by an Officer.*

For further information on the items to be discussed, please contact: committees@arun.gov.uk

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members and Officers are invited to make any declarations of pecuniary, personal and/or prejudicial interests that they may have in relation to items on this agenda, and are reminded that they should re-declare their interest before consideration of the item or as soon as the interest becomes apparent.

Members and Officers should make their declaration by stating:

- a) the item that they the interest in
- b) whether it is a pecuniary, personal and/or prejudicial interest
- c) the nature of the interest

3. MINUTES

(Pages 1 - 4)

The Committee will be asked to approve as a correct record the Minutes of the Audit & Governance Committee held on 07 October 2021.

4. ITEMS 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 CIRCUMSTANCE

5. PUBLIC QUESTION TIME

To receive questions from the public (for a period of up to 15 minutes)

6. AUDIT FEES 2019/20 UPDATE

(Pages 5 - 16)

Each year the Council is advised of the anticipated external audit fees set by the designated appointing body.

At its meetings of February and July 2021 the Committee was

advised of a significant fee increase notified to the Council by its external auditors. The increase would need to be agreed by the commissioning body – Public Sector Audit Appointments Ltd (PSAA) and members requested that letters be sent to PSAA to express the concerns of the Committee.

[15 Minutes]

7. ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITOR (Pages 17 - 22)

This report presents the options for the future arrangements for the appointment of external auditors with effect from the 2023/24 financial year, in accordance with the relevant legislation, for a decision to be taken by Full Council. The current contract procured through Public Sector Audit Appointments Ltd (PSAA Ltd), undertaken by Ernst & Young LLP is due to end and the Council must consider its options and make a decision on its future arrangements.

[10 Minutes]

8. TREASURY MANAGEMENT MID-YEAR REPORT 2021/22 (Pages 23 - 44)

This mid-year report has been prepared in compliance with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management and covers the activities to 30th September 2021. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

[10 Minutes]

9. ARUN DISTRICT COUNCIL PARTNERSHIPS REGISTER (Pages 45 - 54)

This paper sets out progress on a register of partnerships for Arun District Council and makes recommendations on how this should go forward.

[15 Minutes]

10. UPDATED RISK MANAGEMENT POLICY STATEMENT AND STRATEGY (Pages 55 - 78)

The Council's Risk Management Policy Statement & Strategy has been reviewed and some minor changes made to reflect the change to the Committee system of governance at the Council

[10 Minutes]

11. UPDATED STRATEGIC RISK REGISTER 2021/22 (Pages 79 - 106)

The Council's Strategic Risk Register has been reviewed and revised to reflect changes since its last update in July 2020.

[20 Minutes]

12. PROGRESS AGAINST THE AUDIT PLAN

(Pages 107 -
112)

Each year Internal Audit undertakes its work against an annual audit plan, as approved by the Audit & Governance Committee prior to the start of the financial year

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

13. WORK PROGRAMME

(Pages 113 -
118)

The Committee is required to note the Work Programme for 2021/22.
[5 Minutes]

Note : If Members have any detailed questions, they are reminded that they need to inform the Chair and relevant Director in advance of the meeting.

Note : Filming, Photography and Recording at Council Meetings – The District Council supports the principles of openness and transparency in its decision making and permits filming, recording and the taking of photographs at its meetings that are open to the public. This meeting may therefore be recorded, filmed or broadcast by video or audio, by third parties. Arrangements for these activities should operate in accordance with guidelines agreed by the Council and as available via the following link [Filming Policy](#)

AUDIT & GOVERNANCE COMMITTEE

7 October 2021 at 10.00 am

Present: Councillors Clayden (Chair), Bennett, Chapman (Vice-Chair), Chace, Haywood, Oppler, Staniforth and Tilbrook

343. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Oliver-Redgate, Northeast and Goodheart.

344. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

345. MINUTES

The Minutes of the meeting held on 29 July 2021 were approved by the Committee. These would be signed at the end of the meeting.

346. PUBLIC QUESTION TIME

The Chair confirmed that no questions were submitted for this meeting.

347. REVIEW OF HANDLING OF PAGHAM PETITION

Upon invitation of the Chair, the Deputy Monitoring Officer introduced his report, he explained that the purpose of the item was to consider allegations from the Petition Organisers that the complaint had not been handled properly. He clarified that at the time of the events being discussed he was the Interim Monitoring Officer, and when the Petition Organisers referred to the Monitoring Officer, it was him they were referring to. He drew Members' attention to Page 22 of the agenda, an email dated 15th July from the Petition Organisers, which he read out. He confirmed that the Petition Organisers were given until 1st September to submit the additional paperwork referred to in the email, however this had not been done. There were 3 items of complaint contained in the email from the Petition Organisers, these being the Monitoring Officer did not mention modification when the reply was being presented at Full Council on 14th July; issues around costs of compensation; and the Monitoring Officer had failed to release documents.

The Deputy Monitoring Officer highlighted Page 26 onwards of the Agenda Pack, which showed all the information provided to the Petition Organisers in response to

their Freedom of Information request. This showed which of the signatures submitted to the Council were valid, and which were invalid. He gave examples of invalid signatures which were from people in places such as Aberdeen, Barnsley, USA etc. It showed out of the 2000 signatures, almost half were invalid. It would have been clear to the Petition Organisers that some people signing the petition were from out of the area.

The Deputy Monitoring Officer then addressed the second allegation, that the Monitoring Officer had failed to mention modification when delivering the response to the presentation at Full Council. He thought this was a strange allegation, as in their own Statement of Case, the Petition Organisers had only ever mentioned revocation (as show in Page 19), and the Monitoring Officer had mirrored their wording, which did not include modification.

The third allegation was that the Monitoring Officer had misled Members in relation to the question of compensation. He confirmed the Petition Organisers had failed to identify a figure for compensation. The developer had identified what they would consider applying for, and the QC confirmed the figure could be considerable.

The Chair then handed over to the Vice-Chair who thanked the Deputy Monitoring Officer for the clear report. He also thanked the Full Council Committee Manager for producing the excellent Minutes of the 14 July 2021 Full Council Meeting. Minute 113 showed that he, as the Chair of the Planning Committee, had stated that he would be responding to the petition in terms of the way it was written, and not how it had been presented at the meeting. He felt Mr Rawlins had betrayed the trust placed in him by the people that had signed the petition, by speaking differently to the wording of the petition. He commended the patience and sense of duty shown by the Officers.

Members then took part in a debate where the following points were raised:

- When the petition was originally submitted and the threshold of signatures had not been met, the Petition Organiser had the option to take the petition to Development Control Committee, however they refused this option.
- A petition was brought to a Council when residents were very upset by an issue, and they felt a petition could be a last resort. Although it was felt the Council handled the petition properly, it was suggested that the perception of residents was that it was not going to be looked at fairly, and that the Council had not wanted to receive it.
- It was suggested although handled correctly by Officers, some Members were insensitive when dealing with the petition at Full Council.

After Member questions the Chair summarised what the item was about, which was whether or not the petition was handled properly. The Petition Organisers had specified 3 matters which they said supported their allegation that the petition was not handled properly. Firstly, that the Monitoring Officer's summing up was not correct. He reiterated the Monitoring Officer had said he was responding to the petition as presented by Mr Collins in writing and by Mr Rawlins in his presentation at Full Council.

Secondly that they were not provided with information about missing signatures. He said Members had heard from the Deputy Monitoring Officer that the Agenda Pack had all the information provided to them as part of their Freedom of Information request. He said it should also be noted that the Information Commissioner had not been approached by the Petition Organiser by way of complaint about a lack of information. Thirdly the Petition Organisers had expressed their dissatisfaction with regards to some Members not Voting on the petition at Full Council. It was for Members to make their own minds on whether abstention was evidence of the Council not dealing with the petition properly.

The recommendation was Proposed by Councillor Chapman and Seconded by Councillor Chace.

The Committee

RESOLVED

That the Petition was dealt with properly

The Chair concluded the meeting by reinforcing that if anyone was considering submitting a petition, they should contact the Monitoring Officer and her team, who were there to assist, and could set out what needed to be done.

(The meeting concluded at 10.26 am)

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 16 November 2021

REPORT

SUBJECT: Audit Fees 2019/20 Update

REPORT AUTHOR: Stephen Pearce, Internal Audit Manager

DATE: October 2021

EXTN: 37561

PORTFOLIO AREA: Corporate Support

EXECUTIVE SUMMARY:

Each year the Council is advised of the anticipated external audit fees set by the designated appointing body.

At its meetings of February and July 2021 the Committee was advised of a significant fee increase notified to the Council by its external auditors. The increase would need to be agreed by the commissioning body – Public Sector Audit Appointments Ltd (PSAA) and members requested that letters be sent to PSAA to express the concerns of the Committee.

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to note the correspondence from PSAA updating the Council on the outcome of its review of the fee variation proposal.

1. BACKGROUND:

The Council has opted-in to the national arrangements for the appointment of its external auditors. This is undertaken by Public Sector Audit Appointments Ltd (PSAA), established by the Local Government Association (LGA) and the current contracted arrangement covers the period up to the audit of the 2022/23 Accounts.

PSAA is responsible for setting scales of fees for the audit of accounts of relevant authorities, reflecting the size, risk and complexity of the audit, and for considering applications from the appointed auditors for increases in fees in respect of additional work undertaken.

At its February meeting, the Committee received the Annual Audit Letter for the year ended 31 March 2020 from Ernst & Young LLP (E&Y), its appointed auditors. In the Audit Fees section of the report, E&Y advised that they had applied to PSAA for a

significant increase in fees for the work undertaken on the 2019/20 Accounts which, if accepted by PSAA, would increase the scale fee set by PSAA in future years.

The Council has now received a response from PSAA that the review of the fee variation proposal has been completed and that a variation of £14456 has been assessed as appropriate (a reduction of £18022 against the auditor's proposal of £32477).

Through PSAA, the Council has also been advised that it has been allocated £22666 of Government funding which is "intended to support affected local bodies to meet the anticipated rise in fees for 2020/21 audits, driven by new requirements on auditors, including the National Audit Office's Code of Audit Practice 2020, and to enable local authorities to develop standardised statements of service information and costs."

At the July meeting, the Committee was also presented with the Audit Plan for the review of the 2020/21 Accounts by the external auditors, which advised that the audit would be delayed and would commence in November 2021. Members were advised that this meant the audited accounts could not be published to meet the regulatory deadline of 30 September 2021. Based on this, the Committee requested that a further letter be sent to PSAA by the Chair - a copy of the letter sent is included for noting by the Committee.

The response from PSAA advised that they are aware of market issues that have affected the availability of auditors able to undertake local audits which has caused delays to the completion of audits for a number of authorities and share our disappointment in the delay to the start of the audit of Arun's 2020/21 Accounts. (As was advised to the Committee as part of the officer report in July, the Government and relevant sector bodies are considering the recommendations of the independent Redmond Review which is likely to alter the scope and requirements of future audits of local authorities, together with the fees and fee-setting process).

PSAA further advised that where the audited accounts of a local authority cannot be published by the date as set in the Accounts & Audit Regulations (currently 30 September) then the authority should publish a notice stating that it does not have audited accounts and the reasons why, in order to comply with statutory requirements. This was also confirmed by Ernst & Young and an appropriate notice has been published on the Council's website with the unaudited draft Accounts.

3. OPTIONS:

To note the correspondence with PSAA in respect of the 2019/20 audit fees (and the delay in the 2020/21 audit) as requested by members of the Committee at its July 2021 meeting

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓

Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS: Audit fees are expected to increase for the remaining years of the current contract		

7. REASON FOR THE DECISION:

Correspondence with PSAA Ltd as requested at previous meetings of the Committee is presented for information and noting by members.

8. BACKGROUND PAPERS:

Audit & Governance Committee agenda items from July 2021:-

[Arun District Council](#) 29 July 2021, Minute 204

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Arun District Council
Civic Centre
Maltravers Road
Littlehampton
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BN17 5LF

Mr Tony Crawley
Chief Executive
PSAA Ltd
18 Smith Square
London
SW1P 3HZ

Tel: 01903 737500

DX 57406
LITTLEHAMPTON
www.arun.gov.uk



2 August 2021

Our Ref: A&G/CM

Please ask for:
Carolyn Martlew
Corporate Support
37568

Dear Mr Crawley,

Proposed Increase in Audit Fees

The Council wrote to you in March of this year at the request of members of the Audit & Governance Committee expressing its concern at the size of the proposed fee increase that had been advised by the Council's external auditors Ernst & Young LLP for their work on the 2019/20 Accounts. Included in this was a 'scale fee rebasing' which represented an increase of over 57% on the scale fee published by PSAA Ltd and members felt that this was excessive.

It is our understanding that PSAA Ltd as the commissioning body must approve this increase and is also responsible for setting future fee levels. To date, the Council does not appear to have received a response to its concerns or any indication as to whether the requested fee increase has been approved by yourselves.

At the meeting of 29 July 2021, members received the external auditors' planning report for the audit of the 2020/21 Accounts. This not only included the as yet unapproved scale fee rebasing applied to the current year but also indicated there would be further additional fees for new risks and changing requirements, which could then further increase the scale fee for future years.

It is a further concern to the Council that the external auditors advised that they have insufficient suitable resource to fulfil their audit requirements to all their contracted clients by the current extended deadline for the publication of the audited accounts of 30 September 2021. They have advised that they are prioritising their clients to ensure that each assignment has a suitably experienced team to undertake the work, but this means that the Council will not receive its audited Accounts until January 2022, well beyond the deadline in the Accounts & Audit (Amendment) Regulations 2021.

The Committee would welcome your comments on these issues and also advice on when a decision on the fee increase application from last year might be made and its impact on fees in future years.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mike Clayden". The signature is written in a cursive, slightly informal style.

Cllr Michael Clayden
Chair, Audit & Governance Committee
Arun District Council

12 August 2021

Via email

Email

generalenquiries@psaa.co.uk

Dear Councillor Claydon

Your letter re proposed increase in audit fees

Thank you for your letter. Please note that I responded to Councillor Haywood's letter of March 12 on March 16 via email. Unfortunately, it appears that my letter was not circulated within the Council, and last week my colleague provided Stephen Pearce with a further copy which hopefully you now have (I have cc'd Stephen). This letter does not repeat its contents, but I have updated the information provided where I thought it would be helpful to do so.

Fees

I set out our approach to dealing with fee variations in my March letter, and that we have a robust process ([Fee variation process](#)) to review all fee variations submitted in accordance with our governing statutory regulations and the fact that public money is involved. If we do not consider that the evidence provided by the auditor justifies the proposal and/or the body does not agree with the auditor's proposal, it can take some time to resolve, and this is the case for yourselves. Our discussions with your auditor are continuing and I am hopeful that we will be in a position to move it forward soon.

I referred to the increased audit quality requirements. We are working with all firms to continue to understand the ongoing impact. Where possible we will be building recurrent additional fee items (e.g. the cost of new and ongoing group accounts) into the scale fees for efficiency, but because of the statutory regulation constraints there can be a significant time lag before we can make these changes. Some individual fee elements are non-recurrent, such as the impact of the pandemic. We are aware that late notification of additional audit costs has been a concern for authorities, and we have asked that auditors have early discussions on these matters where possible. Please note though that no additional fee is payable by opted-in bodies unless the auditor proposal has been approved by PSAA.

I also referred to the wider difficulties that the current drafting of the fee setting part of our regulations caused us. You may have seen that MHCLG has published the results of its consultation on the Local Audit (Appointing Person) Regulations 2015 and is intending to make changes to enable us to set a scale fee closer to the audit commencement date which can be based on more timely information. For example, we had to set a scale fee for 2020/21 encompassing the first year of the new VFM arrangements commentary before the NAO had had time to issue its consultation on its guidance notes on what was expected of auditors.

On a more positive note, MHCLG has recently published its allocation of £15m of funding to local government bodies in view of the increased cost of audit, and I note that Arun's share is £22,666.

Local audit position

As you might expect PSAA recognises and shares your disappointment and frustration at the prospect of a delayed 2020/21 audit process. We also appreciate the inconvenience that it will cause you, and we are very conscious of the adverse effects which flow from delayed audit opinions. They include disrupted related work plans for all parties, uncertainty about the organisation's financial position, and weakened governance and accountability processes. Perhaps most obviously, delayed audited accounts are less valuable and relevant.

The widespread concern over the timeliness of local government audit opinions is reflected in an NAO report published in March 2021, '[Timeliness of local auditor reporting on local government in England, 2020 - National Audit Office \(NAO\) Report](#)'. This was followed by two sessions of the Public Accounts Committee (PAC) inquiry into the timeliness of local government audits following the NAO's report. The Committee heard from representatives of the firms, Sir Tony Redmond, MHCLG and PSAA (myself).

The PAC has recently published its report from this enquiry, '[Local auditor reporting on local government in England - Committee of Public Accounts - House of Commons \(parliament.uk\)](#)'. There were a number of recommendations, including that '*as a matter of urgency, the Department should write to the PAC by September 2021 with a detailed plan and timetable for getting local audit timeliness back on track*'.

In common with all stakeholders in the local audit system (including the auditors themselves), we want to see the earliest possible return to a position in which virtually all local bodies are able to publish their audited accounts by the target date specified in the Accounts and Audit Regulations. We are represented on MHCLG's new Liaison Committee that is working to address the issues, and we are aware that there are a number of significant obstacles to be overcome before this can happen. They include:

- a significant backlog of delayed 2019/20 audit opinions, of which 89 are still outstanding;
- more demanding regulatory requirements which increase the time and resources needed to complete each audit;
- local bodies entering more frequently into innovative transactions which require detailed examination by auditors; and
- the challenges posed by the pandemic including its implications for auditors' work in relation to the financial resilience of bodies.

There is also a shortage of auditors to undertake local audits and Key Audit Partners to lead them, and concerns about the number of trainees choosing to stay in the sector post-qualification. This is affecting all firms and all parts of England. The shortage of local auditors has also been highlighted by the Healthcare Financial Management Association in its February 2021 briefing paper [audit-appointments-briefing-final.pdf \(hfma.org.uk\)](https://www.hfma.org.uk/audit-appointments-briefing-final.pdf). It noted that *'Some members have reported that their auditor has resigned or has declined to extend the current audit contract. For the 2019/20 audits there were three NHS organisations that were unable to appoint an external auditor following the required audit appointment process'*.

Unfortunately, there are no easy solutions which we or any other party can simply action. The reality is that returning to a more predictable and stable position is going to take some time and will be a gradual process.

We have been consulting local bodies about our draft prospectus for the next appointing period commencing in April 2023. In parallel we have consulted audit suppliers through a market engagement exercise. Importantly, both consultations ask for views and suggestions about how the system can respond to the challenges outlined as speedily as possible. We will also be looking to support growth and attract additional capacity into the market.

Publishing date

Whilst there is an expectation in the NAO's Code of Audit Practice that auditors report on a timely basis insofar as they are able to do so, there is no statutory date for the audit opinion to be given. This is because the Accounts and Audit Regulations set out at 10(2) that where an audit is not concluded by the specified publishing date (30 September this year), the body must instead publish a notice stating that it does not have audited accounts and the reasons why. This means that bodies that do not have audited accounts by the specified date are able to comply with their statutory requirement. We recognise that this does not reduce the inconvenience or alleviate the disappointment that comes with the delay to publishing accounts by the due date. However, it does enable the body to inform its public and other stakeholders of the reasons for the delay. The wording of the statement is at the discretion of the authority.

I hope this information is useful to you. We would also be happy to have a discussion with you if that would be helpful.

Yours sincerely



Tony Crawley
Chief Executive

Cc Stephen Pearse, Internal Audit Manager

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Councillor Clayden
Audit and Governance Committee Chair
Arun District Council
Arun Civic Centre
1 Maltravers Road
Littlehampton
BN17 5LF

23 September 2021

Direct line: 023 8038 2159

Email: ksuter@uk.ey.com

Dear Cllr Clayden

Audit letter – Arun District Council audit of accounts 2020/21

Under the 2020 Code of Audit Practice, for Local Government bodies we are required to issue our Auditor's Annual Report by 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay. The target date for you to publish your accounts for the financial year ending 31 March 2021 is 30 September 2021, as set out within the Accounts and Audit (Amendment) Regulations 2021.

As a result of the ongoing impact of the coronavirus pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The guidance allows auditors to issue our Auditor's Annual Report 3 months after giving our opinion on the financial statements.

Due to rescheduling the audit, we will not be able to give our opinion on your financial statements by 30 September 2021. At the present time we anticipate that we will be able to meet the guidance for issuing our Auditor's Annual Report, including our commentary on arrangements to secure value for money, within the period of 3 months after giving our opinion on the financial statements. If circumstances should change, we will write to you again with an explanation.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

In writing this audit letter we also take the opportunity to remind you that you should still publish your accounts by 30 September, without the audit report. Set out below is an example of the wording that we suggest could be used to meet the requirements of the regulations to explain why your accounts would not be audited as at that date.

The external audit of the draft statement of accounts for the year ended 31 March 2021 has not yet been completed by our external auditors, EY LLP, due to rescheduling the audit. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. (See attached link: <http://www.legislation.gov.uk/ukxi/2015/234/regulation/10/made>). Therefore this notification explains, as per paragraph (2a), that we are not yet able to publish our audited 2020/21 final statement of accounts in line with deadline of 30th September 2021, as per paragraph (1). The audit and governance committee will consider the results of the 2020/21 audit at its meeting on 17 January 2022, after which we will publish the final audited accounts.

Yours sincerely,



Kevin Suter
Associate Partner
For and on behalf of Ernst & Young LLP

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT AND GOVERNANCE COMMITTEE ON 16 NOVEMBER 2021

SUBJECT: Arrangements for Appointment of External Auditor

REPORT AUTHOR: Carolin Martlew, Interim Group Head of Corporate Support and s151 Officer

DATE: September 2021

EXTN: 37568

AREA: Corporate Support

EXECUTIVE SUMMARY:

This report presents the options for the future arrangements for the appointment of external auditors with effect from the 2023/24 financial year, in accordance with the relevant legislation, for a decision to be taken by Full Council. The current contract procured through Public Sector Audit Appointments Ltd (PSAA Ltd), undertaken by Ernst & Young LLP is due to end and the Council must consider its options and make a decision on its future arrangements.

RECOMMENDATIONS:

Audit & Governance Committee is requested to recommend to Full Council that:

- 1) Opting-in to the Sector Led Body for the procurement and appointment of external auditors with effect from 2023/24 be approved; and
- 2) The responsible Officers be authorised to opt-in to the Sector Led Body for the procurement and appointment of external auditors with effect from 2023/24.

1. BACKGROUND:

On 29 September 2016, Audit and Governance Committee considered a report 'Changes to arrangements for appointment of External Auditors.' This outlined the changes to appointing arrangements following the closure of the Audit Commission and advised that the Council needed to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017. Following due consideration and discussion with other Councils in West Sussex, the Council confirmed its preferred approach of opting in to the sector led body, PSAA Ltd. PSAA Ltd undertook a national procurement exercise and as a result appointed Ernst and Young LLP as the Council's External Auditor for a period of 5 years and this arrangement is now due for renewal. (The

same company was also appointed as external auditor for other councils in West Sussex). The Council has been formally advised of the requirement to review its arrangements and this report is part of that process and makes a recommendation as to the Council's preferred approach.

In reaching a decision, the Committee should be aware that there are currently only a small number of accountancy companies which are appropriately licensed and able to be appointed as a registered local auditor under the Local Audit & Accountability Act 2014.

It should also be noted that the results of the Redmond 'Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting' were published in 2020. This raised a number of issues relating to market fragility (e.g. current fee structures and the limited number of currently-approved providers), as well as possible changes to reporting requirements and timescales. The Ministry of Housing, Communities and Local Government has considered the recommendations and issued a response to the Review, indicating that they are generally in agreement and will work with the relevant bodies to progress these in the coming years.

2. PROPOSAL(S):

PSAA Ltd has issued its prospectus 2023 and beyond and invited the Council to again opt into the national scheme for auditor appointments from April 2023. Should the Council wish to opt in, a formal decision of Full Council to do so is required by the deadline of 11 March 2022. Assuming Audit and Governance Committee confirm opting in as the preferred approach, the recommendation will be made to Full Council on 12 January 2022 to opt in to the sector led procurement.

As in 2016, there are other options available to the Council to procure its External Auditor. These are:

- To make a stand alone appointment;
- Set up a Joint Auditor Panel/ local joint procurement arrangement.

All of the options available have advantages and probable risks, which are similar to those identified in 2016. These are not relisted in full here; the most relevant ones are listed for information:

Stand-alone appointment

The Council would make its own External Auditor appointment. In doing so it would be required to set up an Independent Audit Panel.

Advantages

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Risks

To make a stand-alone appointment the Council would need to set up an Auditor Panel. The members of the panel must be wholly or a majority independent members as defined by the Act, with an independent Chairman. Independent members for this purpose are independent appointees, this excludes current and former elected Members (or Officers) and their close families and friends. This means that elected Members would not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by

the Council would then be responsible for selecting the auditor. Recruitment and servicing of the Panel, running the bidding exercise and negotiating the contract would incur significant cost plus ongoing expenses and allowances. The scope and content of any contract will be overwhelmingly set by the NAOs Code of Practice.

The Council would not be able to take advantage of reduced fees that may be available through the economies of scale likely from joint or national procurement contracts. The 2016 exercise realised significantly reduced fees. It is acknowledged audit costs have risen in recent years. It is however considered likely that a stand alone appointment would not be attractive to bidders and would result in higher bids if any were made.

The assessment of bids and decision on awarding contracts would be taken by (a majority of) independent appointees and not solely by elected members.

Set up a Joint Auditor Panel/local joint procurement arrangement

Under this option, the Council would join with other local authorities to establish a joint auditor panel. As with a stand-alone appointment this would need to be constituted of wholly or a majority of independent appointees (Members). Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act.

Advantages

The costs of setting up the panel, running the bidding exercise and negotiating the contract would be shared across a number of authorities.

There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.

Risks

The decision making body will be further removed from local input, with potentially no input from elected Members where a wholly independent auditor panel is used or possible only one elected Member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual Councils have independence issues. This issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs, some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for one or more of the Councils involved then those Councils may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Opt in to the Sector Led Body

This is the current arrangement where the procurement is undertaken by the sector led body and an auditor appointed for the Council over a specified contract duration.

Advantages

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities. 98% of Councils in England chose this option in 2016 and it is expected a similar amount will again.

By offering large contract values the firms would be able to offer better rates and lower

fees than are likely to result from local procurement.

Any conflicts at individual authorities would be managed by the PSAA who have a number of contracted firms available. Those firms on PSAA list are known to have the expertise to undertake local government audit.

Risks

Elected Members will have less opportunity for direct involvement in the appointment process, other than through the LGA and/or stakeholder representative groups.

Recommended Approach

This matter was discussed by West Sussex Chief Finance Officers and there is some interest in undertaking a local joint procurement arrangement in other local Councils. However, officers are clear that the most secure way for the Council to procure its external auditor is to again opt for the sector led body approach.

It is considered unlikely that a stand-alone approach will attract bids from suitably qualified firms. If bids are received, these are unlikely to be at a reduced cost. The approach could involve extra costs to the Council which may well be abortive. In addition, difficulties are anticipated in forming an independent audit panel. The Council has had difficulty in attracting suitably qualified individuals for other panels in the recent past.

A joint procurement does ameliorate some of the risks of a stand-alone approach. At the present time, there is no certainty of success and firms may well not bother to bid and focus on the sector led body contracts. The risks of conflict are also considered to be prohibitive. The risks of setting up a panel are significant with this approach. Both approaches give no likelihood of financial savings and provide no guarantee of procuring a suitably qualified external auditor. Should this occur, the Council can apply to re-join the sector led approach and this would be treated as a one off exercise by PSAA Ltd, potentially incurring further costs and a higher external audit cost than using PSAA from the outset.

For security and stability, this report recommends that Audit and Governance Committee recommend that the Council again opts in to the sector led body approach to procure its External Auditor from 1 April 2023.

3. OPTIONS:

The options are outlined above and are:

- To make a stand-alone appointment;
- Set up a Joint Auditor Panel/local joint procurement arrangements;
- Opt in to the sector led body.

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES:	YES	NO

(Explain in more detail at 6 below)		
Financial	✓	
Legal	✓	
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓

6. IMPLICATIONS:

Legal implications

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to locally appoint an external auditor to audit its accounts for a financial year not later than 31 December in the preceding year. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its independent auditor panel on the local selection and appointment of an external auditor.

Section 12 makes provision for the failure to appoint an external auditor: the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint an external auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body (SLB) to become the appointing person.

If the preferred option is to opt-in to the SLB, Full Council approval of the decision is required under Regulation 19 of the Local Audit (Appointing Person) Regulations 2015. If agreed, this will be recommended to Full Council on 12 January 2022.

Financial Implications

PSAA Ltd accept that external fees levels are likely to increase from when the current contracts were procured. It is expected that PSAA will secure the lowest contract cost for the replacement contracts.

The cost of establishing a local or joint Auditor Panel outlined above would need to be estimated and included in the Council's future budgets. This would include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying fees and allowances to the panel's independent members. These are all avoided under the sector led body approach.

Opting-in to the national SLB again provides maximum opportunity to limit the extent of any increase in external audit fees for the Council by entering in to a large scale collective procurement arrangement and would remove the costs of establishing and maintaining an independent auditor panel.

7. REASON FOR THE DECISION:

To secure an External Auditor appointment at the most competitive and secure arrangements for the Council from 2023 onwards.

8. BACKGROUND PAPERS:

Changes to arrangements for appointment of External Auditors report to Audit and Governance Committee 29 September 2016;

PSAA invitation to Arun District Council;

PSAA Prospectus 2023 and Beyond.

ARUN DISTRICT COUNCIL

REPORT TO AUDIT AND GOVERNANCE COMMITTEE ON 16 November 2021

REPORT

SUBJECT: Treasury Management - Mid-year review report 2021/22

REPORT AUTHOR: Sian Southerton – Senior Accountant (Treasury)

DATE: November 2021

EXTN: 01903 737861

AREA: Corporate Support

EXECUTIVE SUMMARY:

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management and covers the activities to 30th September 2021. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

RECOMMENDATIONS:

Audit and Governance Committee is requested to recommend Full Council to:

- (i) approve the actual prudential and treasury indicators for 2021/22 contained in the report;
- (ii) note the treasury management mid-year review (this report) for 2021/22;
- (iii) note the treasury mid-year activity for the period ended 30th September 2021, which has generated interest receipts of £225,000 (0.62%) year to date, against a budget of £332,000 (0.64%) for the full year.
- (iv) note the addition of Leeds and Principality Building Society to the lending list adhering to the required criteria of category 4.

1. BACKGROUND:

1.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2020/21, all local authorities have been required to prepare a Capital Strategy which is to provide the following: -

- A high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability.

1.2 Treasury Management

The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending commitments. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

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

2. INTRODUCTION

This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) and covers the first 6 months of the year to 30th September 2021.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
3. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report (this report) and an Annual Report, covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit and Governance Committee.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2021/22;
- The Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators;
- A review of compliance with Treasury and Prudential Limits for 2021/22;
- A review of the Council's borrowing strategy for 2021/22.

3. ECONOMICS AND INTEREST RATES

3.1 Economics update

MPC meeting 24.9.21

- The Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a result, CPI inflation would stay above the 2% target for longer

- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next

April, are, indeed, likely to lead to **faster and higher inflation expectations and underlying wage growth**, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to **reaffirm its commitment to the 2% inflation target in its statement**; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.

- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022, but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.
- **COVID-19 vaccines.** These have been the game changer which have enormously boosted confidence that **life in the UK could largely return to normal during the summer** after a third wave of the virus threatened to overwhelm hospitals in the spring. With the household saving rate having been exceptionally high since the first lockdown in March 2020, there is plenty of pent-up demand and purchasing power stored up for services in hard hit sectors like restaurants, travel and hotels. The big question is whether mutations of the virus could develop which render current vaccines ineffective, as opposed to how quickly vaccines can be modified to deal with them and enhanced testing programmes be implemented to contain their spread.

World growth. World growth was in recession in 2020 but recovered during 2021 until starting to lose momentum more recently. Inflation has been rising due to increases in gas and electricity prices, shipping costs and supply shortages, although these should subside during 2022. It is likely that we are heading into a period where there will be a reversal of **world globalisation** and a decoupling of western countries from dependence on China to supply products, and vice versa. This is likely to reduce world growth rates from those in prior decades.

3.2 Interest rate forecasts

The Council's treasury advisor, Link Group, has provided the following forecasts on 29th September 2021 (PWLB rates are certainty rates gilt yields plus 80bps):

Link Group Interest Rate View	29.9.21									
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

- *LIBOR and LIBID rates will cease from the end of 2021. Work is currently progressing to replace LIBOR with a rate based on SONIA (Sterling Overnight Index Average). In the meantime, these forecasts are based on expected average earnings by local authorities for 3 to 12 months.*

The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings.

As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24.

Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.

The balance of risks to the UK economy: -

- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.

Forecasts for Bank Rate

Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021. Three increases in Bank rate are forecast in the period to March 2024, ending at 0.75%. However, these forecasts may well need changing within a relatively short time frame for the following reasons: -

- There are increasing grounds for viewing the economic recovery as running out of steam into the autumn. This could lead into stagflation which would create a dilemma for the MPC as to which way to face.
- Will some current key supply shortages e.g., petrol and diesel, spill over into causing economic activity in some sectors to take a significant hit?
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages and increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- 1.6 million people were due to come off furlough at the end of September; how many of those had jobs on 1st October and therefore, be available to fill labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns.

In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could decide to simply take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

Forecasts for PWLB rates and gilt and treasury yields

As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields?
- Will the Fed take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?

- How strong will inflationary pressures turn out to be in both the US and the UK and so impact treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

A new era – a fundamental shift in central bank monetary policy

One of the key results of the pandemic has been a fundamental rethinking and shift in monetary policy by major central banks like the Fed, the Bank of England and the ECB, to tolerate a higher level of inflation than in the previous two decades when inflation was the prime target to bear down on so as to stop it going above a target rate. There is now also a greater emphasis on other targets for monetary policy than just inflation, especially on ‘achieving broad and inclusive “maximum” employment in its entirety’ in the US before consideration would be given to increasing rates.

- The Fed in America has gone furthest in adopting a monetary policy based on a clear goal of allowing the inflation target to be symmetrical, (rather than a ceiling to keep under), so that inflation averages out the dips down and surges above the target rate, over an unspecified period of time.
- The Bank of England has also amended its target for monetary policy so that inflation should be ‘sustainably over 2%’ and the ECB now has a similar policy.
- ***For local authorities, this means that investment interest rates and very short term PWLB rates will not be rising as quickly or as high as in previous decades when the economy recovers from a downturn and the recovery eventually runs out of spare capacity to fuel continuing expansion.***
- Labour market liberalisation since the 1970s has helped to break the wage-price spirals that fuelled high levels of inflation and has now set inflation on a lower path which makes this shift in monetary policy practicable. In addition, recent changes in flexible employment practices, the rise of the gig economy and technological changes, will all help to lower inflationary pressures.
- Governments will also be concerned to see interest rates stay lower as every rise in central rates will add to the cost of vastly expanded levels of national debt; (in the UK this is £21bn for each 1% rise in rates). On the other hand, higher levels of inflation will help to erode the real value of total public debt.

4. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement (TMSS) for 2021/22, which includes the Annual Investment Strategy, was approved by Full Council on 24th March 2021.

It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

The Council will aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. As shown by forecasts in section 3.2, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are at an all-time low and in line with the current 0.10% Bank Rate that is expected to be in place for the foreseeable future (reduced on 19th March 2020).

A full list of investments held as at 30th September, 2021 and the authorised counterparties are shown in Appendices 2 and 3 respectively.

There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

The current investment counterparty criteria selection approved in the TMSS has not been changed but two counterparties have been added to category 4 as they have assets greater than £10billion and therefore adhere to the minimum criteria of this category. These are Leeds Building Society and Principality Building Society as below.



Factsheet

August 2021

This table shows the assets of UK building societies, ranked by group assets, taken from their latest annual reports. These figures have not been adjusted to take account of any mergers, transfers of engagements or purchases of mortgage portfolios that have taken place since the societies' financial year end.

* The Society has no Group - the Society Assets figure has been repeated in the Group Assets field.

Rank by Group Assets	Name of Society	Financial Year Ended	Society Assets £m	Group Assets £m (see note *)
1	Nationwide	04 April 2021	251,920	254,914
2	Coventry	31 December 2020	50,781	51,498
3	Yorkshire	31 December 2020	57,786	47,931
4	Skipton	31 December 2020	26,658	28,263
5	Leeds	31 December 2020	20,725	20,640
6	Principality	31 December 2020	10,912	11,121

The average level of funds available for investment purposes during the first 6 months of 2021/22 was £74m. A proportion of these funds were available on a temporary basis, (more so than in previous years due to the receipt of Covid grants, of which some needs to be repaid to government), and the level of funds available was mainly dependent on the

timing of precept payments (WSCC and Sussex Police, approximately £10M per month for 12 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £40M core cash balances for investment purposes (i.e. funds available for more than one year).

The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first 6 months of 2021/22.

Investment performance for period ended 30.09.2021

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
7 day LIBID	-0.082%*	0.64%	0.62%	£225,000

**As in 3.2 LIBOR and LIBID rates will cease at the end of 2021 and work is currently being done to replace these with SONIA.*

The Council's budgeted investment return for 2021/2 is £332,000 (0.64%).

Covid 19 has impacted these returns based on;

- the bank of England base rate being at an all time low since March 2020 (0.10%) and therefore investments are achieving lower rates than were budgeted.
- however, higher than anticipated balances available to invest (approx. £52m budgeted to £74m average balances year to date) has meant that the budget will be exceeded.

Currently £5M is invested in the CCLA (Churches, Charities and Local Authorities) property fund achieving a return of approx. 4.2% year to date, and £2m is invested in the CCLA diversified fund with an expected return of approx. 2.90% (2.60% at September 2021). These continue to enhance the returns although the rates have reduced over the last 6 months.

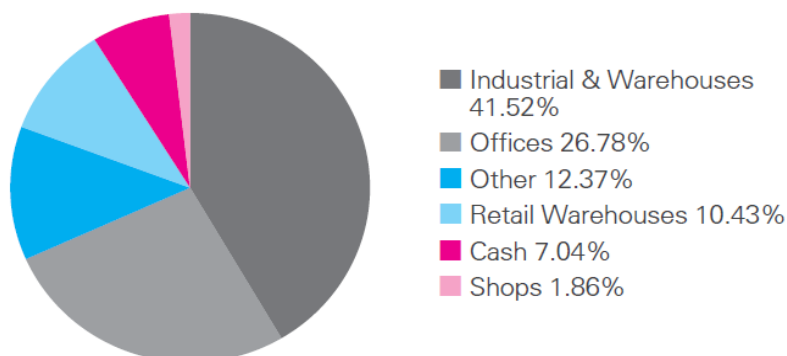
The estimated outturn for 2021/2022 is £445,000 (0.64%) which is above budget (monetary).

Fund investments

Other than cash investments the Council currently invests in the below funds;

- Money Market Funds (MMFs)
- Multi-Asset Income Funds (MAIFs) – *Diversified Fund Valued at £2.082M - 30th September 2021 (£2m invested)*
- Property Funds (asset allocation below)

Asset allocation at 30 September 21



Within the CCLA property fund portfolio (above), It is expected to maintain the existing bias towards industrial Assets. The fund is underweighted to the retail area overall but is positively disposed towards the retail warehouse sector and may increase the exposure if the right asset is found.

During 2020/21, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailing the impact of capital expenditure activities during the year, with comparators, are as follows:

Actual prudential and treasury indicators	31 March 2021 Actual £000	2021/22 Original £000	2021/22 Current £000	30 Sept 2021 Actual £000
Capital Expenditure				
• Non – HRA	2,930	3,228	*12,253	1,694
• HRA	6,472	4,732	**21,127	3,658
• TOTAL	9,402	7,960	33,380	5,352
Total Debt	44,320	44,320	44,320	44,320
Capital Financing Requirement at 31 st March:				
• Non-HRA	-4,223	-4,442	n/a	n/a
• HRA	51,674	49,914	n/a	n/a
• Total	47,451	45,472	n/a	n/a
Over / (under) borrowing	(3,131)	(1,169)	n/a	n/a

* £1m due to IT Corporate support, £3m Littlehampton Public Realm, £2m Asset management and £3m Parks and play area schemes.

** £15m due to Council House New Build-stock development.

The HRA capital financing requirement will reduce by the amount set aside for debt repayment. This reduction will be offset by any increase due to new borrowing (or use of cash flow funds) in respect of the new build programme.

Other prudential and treasury indicators are shown in Appendix 1.

5. 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.

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 of £55m was not breached in the first half of the year (2021/22).

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 of £50m was not breached.

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.

6. BORROWING

No new borrowing was undertaken during the first half 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. The 5 remaining loans are shown in Appendix 4.

The Council's capital financing requirement (CFR) at 31 March 2021 was £47.5m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

The Council has borrowings of £44.32m (PWLB) which relates to the HRA Self-Financing settlement (originally £70.9m) and has utilised £10.76m of cash flow funds instead of borrowing externally (as at 31 March 21). This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that any upside risk to gilt yields prevails.

Prior to this borrowing being undertaken Arun had a negative CFR of £2.6m which had arisen over a number of years and was due more to changes in the capital accounting regulations rather than to any specific policy decision. Arun's gross external debt does not exceed its CFR and is not expected to except in the short term.

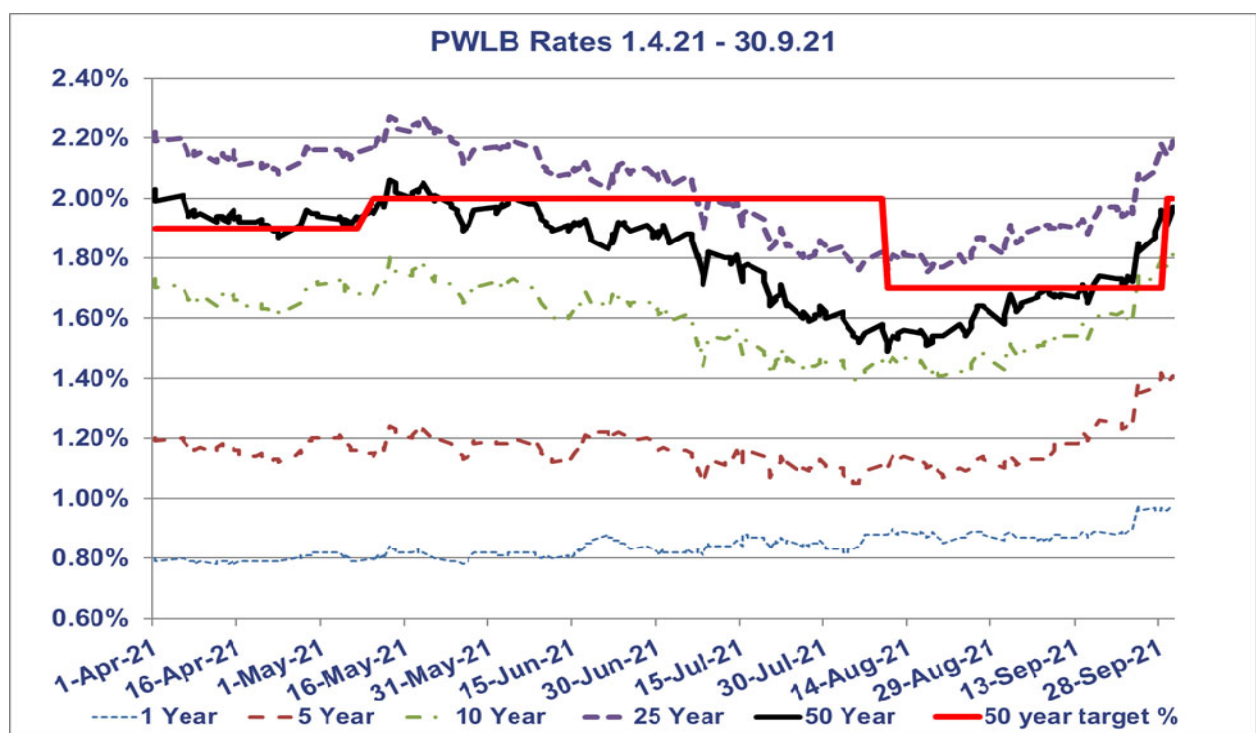
The borrowing activity is constrained by prudential indicators for net borrowing, the CFR, and by the authorised limit.

It is anticipated that no further borrowing will be undertaken during this financial year.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2021 Gilt yields and PWLB rates were on a falling trend between May and August. However, they rose sharply towards the end of September. The 50 year PWLB target certainty rate for new long-term borrowing started 2021/22 at 1.90%, rose to 2.00% in May, fell to 1.70% in August and returned to 2.00% at the end of September after the MPC meeting of 23rd September.

- The current PWLB rates are set as margins over gilt yields as follows: -
 - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
 - **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
 - **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
 - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

The graph and table below show the movement in PWLB certainty rates since the start of the current financial year.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	0.78%	1.05%	1.39%	1.75%	1.49%
Date	08/04/2021	08/07/2021	05/08/2021	17/08/2021	10/08/2021
High	0.98%	1.42%	1.81%	2.27%	2.06%
Date	24/09/2021	28/09/2021	28/09/2021	13/05/2021	13/05/2021
Average	0.84%	1.16%	1.60%	2.02%	1.81%
Spread	0.20%	0.37%	0.42%	0.52%	0.57%

Contact: Sian Southerton: 01903 737861
sian.southerton@arun.gov.uk @arun.gov.uk

2. PROPOSAL(S):		
To approve all 4 recommendations.		
3. OPTIONS:		
The Treasury Management Strategy is a mandatory requirement under the Local Government act 2003 and therefore the only option is to accept the recommendations..		
4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)	✓ Treasury Advisors	
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial	✓	
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		
6. IMPLICATIONS:		
Approval will enable the Council to comply with legislation and provide a Treasury Service ensuring that the expected budget income from interest on investments for the financial year is achieved.		

7. REASON FOR THE DECISION:
Statutory and the limits set, safeguard the Council against financial losses.

8. BACKGROUND PAPERS:
CIPFA'S Treasury Management in the Public Services: Code of Practice (2017) (<i>Link not available as copyright</i>)
The Prudential Code for Capital Finance in Local Authorities (2017) Guidance notes (2018) (<i>Link not available as copyright</i>)
The Local Government Act 2003 (www.legislation.gov.uk/ukpga/2003/26/content)

Prudential and treasury indicators

Appendix 1

1. PRUDENTIAL INDICATORS	2020/21	2021/22	2021/22
Extract from budget and rent setting report	Actual	Original	Actual at 30 th Sept
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	2,930	3,228	1,694
HRA	6,472	4,732	3,658
TOTAL	9,402	7,960	5,352
Ratio of financing costs to net revenue stream			
Non - HRA	-1.96%	-1.90%	n/a
HRA	31.84%	32.32%	n/a
Capital Financing Requirement as at 31 March			
Non – HRA	-4,223	-4,442	n/a
HRA	52,973	49,914	n/a
TOTAL	48,750	45,472	n/a
Annual change in Cap. Financing Requirement			
Non – HRA	-214	-218	n/a
HRA	*609	-951	n/a
TOTAL	395	-1,169	n/a

* HRA CFR increased partly due to Osbourne leases effective from 2020/21

2. TREASURY MANAGEMENT INDICATORS	2020/21	2021/22	2021/22
	Actual	Original	Actual at 30 th September 21
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	60,000	54,000	54,000
Other long term liabilities	1,000	1,000	1,000
TOTAL	61,000	55,000	55,000
Operational Boundary for external debt			
Borrowing	57,000	49,000	49,000
other long term liabilities	1,000	1,000	1,000
TOTAL	58,000	50,000	50,000
Actual external debt	44,320	*44,320	*44,320
Upper limit for total principal sums invested for over 364 days	18,000	18,000	18,000

* £8.86m of debt being repaid (28 March 2022)

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 30/09/21	lower limit	upper limit
under 12 months	20%	0%	40%
12 months and within 24 months	0%	0%	40%
24 months and within 5 years	0%	0%	50%
5 years and within 10 years	20%	0%	60%
10 years and above	60%	0%	100%

INVESTMENTS at 30th September 2021

Appendix 2

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	771	Close Brothers	27/10/2020	26/10/2021	£1,000,000.00	0.80
Fixed Term Deposit	773	Close Brothers	27/10/2020	26/10/2021	£1,000,000.00	0.70
Fixed Term Deposit	775	Close Brothers	10/11/2020	09/11/2021	£2,000,000.00	0.70
Fixed Term Deposit	776	Qatar National Bank	17/11/2020	09/11/2021	£2,000,000.00	0.53
Fixed Term Deposit	772	Slough BC	19/11/2020	18/11/2021	£2,000,000.00	0.30
Fixed Term Deposit	779	Goldman Sachs	22/02/2021	22/11/2021	£2,000,000.00	0.265
Fixed Term Deposit	793	Development Bank Singapore (DBS)	07/06/2021	07/12/2021	£2,000,000.00	0.12
Fixed Term Deposit	786	Goldman Sachs	07/04/2021	07/01/2022	£1,000,000.00	0.31
Fixed Term Deposit	777	Goldman Sachs	15/01/2021	14/01/2022	£1,000,000.00	0.085
Fixed Term Deposit	796	Thurrock Council	15/06/2021	15/02/2022	£3,000,000.00	0.12
Fixed Term Deposit	784	Qatar National Bank	06/04/2021	07/03/2022	£3,000,000.00	0.505
Fixed Term Deposit	803	NatWest Bank	16/07/2021	16/03/2022	£2,000,000.00	0.090
Fixed Term Deposit	787	Qatar National Bank	26/04/2021	21/03/2022	£2,000,000.00	0.505
Fixed Term Deposit	789	Qatar National Bank	04/05/2021	21/03/2022	£1,000,000.00	0.485
Fixed Term Deposit	801	Standard Chartered Bank	07/07/2021	21/03/2022	£1,000,000.00	0.15
Fixed Term Deposit	804	Standard Chartered Bank	24/08/2021	28/03/2022	£2,000,000.00	0.120
Fixed Term Deposit	783	Qatar National Bank	01/04/2021	01/04/2022	£1,000,000.00	0.535
Fixed Term Deposit	791	Goldman Sachs	21/05/2021	23/05/2022	£7,000,000.00	0.325
Fixed Term Deposit	792	Qatar National Bank	07/06/2021	06/06/2022	£1,000,000.00	0.56
Fixed Term Deposit	802	Qatar National Bank	03/08/2021	02/08/2022	£1,000,000.00	0.585
Fixed Term Deposit	797	Close Brothers	10/08/2021	10/08/2022	£1,000,000.00	0.45
Fixed Term Deposit	799	Close Brothers	03/09/2021	05/09/2022	£3,000,000.00	0.45
Call Account	44447	Lloyds			£13,735,480.28	0.01
Callable deposit	44446	Lloyds 32DN			£5,000,000.00	0.03
Callable deposit	44443	Santander 95DN			£11,000,000.00	0.40
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.04
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*2.6
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£4,000,000.00	0.023
					£82,735,480.28	

* rates at September

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

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	AA- Aa3 AA-	F1+ P-1 A-1+
All Local Authorities			
Bank of Nova Scotia (CAN)			
DBS Bank Ltd (SING)			
Oversea-Chinese Banking Corp Ltd (SING)			
Handelsbanken Plc (UK)			
United Overseas Bank Ltd (SING)			
First Abu Dhabi Bank (U.A.E)			

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

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A+ A1 A+	F1 P-2 A-1
Barclays Bank plc (RFB & NRFB) (UK)			
Goldman Sachs International Bank (UK)			
HSBC Bank plc (UK)			
Standard Chartered Bank (UK)			
Qatar National Bank (Qatar)			
National Westminster Bank PLC (RFB) (UK)			
Royal Bank of Scotland PLC (RFB) (UK)			
Santander (UK)			

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

		<u>Long Term</u>	<u>Short Term</u>
Min Criteria	Fitch Moody S&P	A- A3 A-	F1 P-2 A-1
Nationwide Building Society (UK)			
Close Brothers (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)
Principality Building Society (UK)
Skipton Building Society (UK)
Yorkshire Building Society (UK)

Category 5 - Council's Bank

NO LIMIT - appropriate category 1 to 3 (Max of £11M term deposit)

Lloyds Bank Plc (RFB) (Cat 2)
Lloyds Bank Corporate Markets Plc (NRFB) (Cat 2)
Bank of Scotland PLC (RFB) (Cat2)

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

banks effectively nationalised by UK government

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

Category 7 - Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)

- | | | |
|--|--------------|------------|
| <ul style="list-style-type: none"> • Money Market Funds (MMF's), (CNAV, LVNAV, VNAV) & Enhanced MMF's • Government Liquidity Funds | <u>Fitch</u> | <u>NAV</u> |
|--|--------------|------------|

Limit of £4million for each institution

Aberdeen Standard (GBP)	AAA	LVNAV
CCLA Public sector deposit fund (PSDF)	AAA	LVNAV
Deutsche Banking Group	AAA	LVNAV
Federated Investors Ltd	AAA	LVNAV
Fidelity (GBP)	AAA	LVNAV
Northern Trust	AAA	

Category 8 - Alternative Investments (Asset Backed Bonds) - 25 Years

Maximum investment £4 million

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

AAA

Category 11 – Property Funds - 25 Years

Maximum investment £6 million

CCLA

Category 12 - Multi-Asset Funds - 15 Years

Maximum investment £6 million

CCLA - Diversified Income Fund

Arun District Council - Loans at 30th September 2021

Reference	Lender	Start Date	Maturity Date	Principal	Rate
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%

44,320,000

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT AND GOVERNANCE COMMITTEE

ON 16 November 2021

REPORT

SUBJECT: Arun District Council Partnerships Register

REPORT AUTHOR: Jackie Follis, Group Head of Policy

DATE: 26 October 2021

EXTN: 37580

PORTFOLIO AREA: Policy

EXECUTIVE SUMMARY:

This paper sets out progress on a register of partnerships for Arun District Council and makes recommendations on how this should go forward.

1. RECOMMENDATIONS

- a) That the Audit and Governance Committee review the Partnerships Register on an annual basis and direct Internal Audit to carry out detailed reviews where necessary

2. BACKGROUND:

- 2.1. Partnership working has been identified as increasingly important for the future, particularly given the financial situation for local government.
- 2.2. In February 2020 the Audit and Governance Committee considered a report from the Group Head of Policy setting out how she intended to carry out the work required to establish a Register of Partnerships which Arun District Council participates in. Members would then be able to consider the future role, if any, of Internal Audit with regards to this register.
- 2.3. The Corporate Management Team (CMT) agreed a working definition of 'partnerships' in order to facilitate the development of a Partnerships Register and an ongoing review process.

"A voluntary or statutory arrangement between the authority and one or more free and independent parties which is designed to secure some shared objective. The authority is required to make either a significant financial contribution or a significant contribution in terms of other assets or it will take the role of lead or accountable body within the arrangement"

A partnership is not about a traditional customer/supplier relationship, outsourcing or other purely contractual relationship"

A survey of Group Heads has resulted in a much longer list of ‘partners’ than has been previously identified, set out in Appendix 1. The word ‘Partnership’ is potentially used differently in a number of different contexts, which we need to take account of.

The list of partners covers a number of differently defined bodies:

- Listed on the Arun Website under partnership working, but also Wellbeing and Arun Business Partnership pages;
- Listed in the Constitution;
- Identified by Full Council as outside bodies which require a member representative from Arun;
- Arrangements identified by Group Heads, including some contracts.

2.4. CMT and the Audit and Governance Committee have agreed that the current definition is as precise as possible.

2.5. Many of these partnerships are relatively operational in nature and it does not seem appropriate to list these, for example in the Constitution, so it will be necessary to hold a full register elsewhere.

2.6. Once the list is completed, it should be reviewed on a regular basis by officers, in particular for current relevance as arrangements do sometimes outlast their usefulness or need to change. Part of this regular review should focus on outcomes, added value and our contribution in terms of finance and other resource.

2.7. Members of Audit and Governance need to determine how they wish to use the register to carry out their responsibilities. It is suggested that should Members consider that an in depth review of any partnership is necessary this should be delegated to Internal Audit. A number of key relationships/partnerships with the Council (eg Freedom Leisure, Age UK) are covered by significant contractual arrangements and provide annual updates to the relevant Committee to allow members to scrutinise the arrangements. These are not listed on this register.

2.8. Before the development of the new website we referred to partnership working on our website, <https://www.arun.gov.uk/partnership-working>, this list is different to that included in the Constitution. We also have separate references to partnership on our Wellbeing pages and the Arun Business Partnership pages. We are currently reviewing how best to present and rationalise this information on the website.

3. PROPOSAL(S):

That the Audit and Governance Committee review the Partnerships Register on an annual basis and direct Internal Audit to carry out detailed reviews where necessary


3. OPTIONS:

To agree alternative arrangements to those set out in section 2

4. CONSULTATION:

See note in implications		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS: There are no implications for the actual review, the review may however lead to considering the nature of our future relationship with some partners which could well have implications for a number of Council policies.		

7. REASON FOR THE DECISION: To produce an up to date register of partners

8. BACKGROUND PAPERS: Arun website partnership page:- https://www.arun.gov.uk/partnership-working CIPFA Guidance to Audit Committees on Partnerships (see extract attached)  Appendix - CIPFA Guidance Extract.pd

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Appendix 1

PARTNERSHIPS REGISTER - NOVEMBER 2021

Definition of 'Partnership':-

"A voluntary or statutory arrangement between the authority and one or more free and independent parties which is designed to secure some shared objective. The authority is required to make either a significant financial contribution or a significant contribution in terms of other assets or it will take the role of lead or accountable body within the arrangement.

This does not include traditional customer/supplier relationships, outsourcing or other purely contractual relationship

Name of Body	Service Area	Contact – to be updated for Website
Sussex Police and Crime Panel	Whole Council/Wellbeing	
West Sussex Health and Adult Social Care Select Committee	Whole Council	
Adult/children Safeguarding Boards	Whole Council/Wellbeing	
Coast to Capital Strategic Joint Committee	Economy	
Court of the University of Sussex	Leader of the Council	
LGA District Council Network [nominations are made by the South East England Council (SEEC)]	Whole Council	
LGA Councillors' Forum [nomination made by the LGA]	Whole Council	
Arun Wellbeing and Health Partnership	Community Wellbeing	
Safer Arun Partnership	Community Wellbeing	
Arun Local Community Network	Community Wellbeing	

West Sussex Fire & Rescue Services Inter Authority Fire & Rescue Liaison Group	Community Wellbeing	
Integrated Prevention and Earliest Help (IPEH) Board	Community Wellbeing	
Western Sussex University Hospitals - Member of Council of Governors	Community Wellbeing	
Voluntary Action Arun & Chichester	Community Wellbeing	
Coast to Capital Local Enterprise Partnership (LEP)	Economy	
WSCC Growth Board/Arun Economy Project	Economy	
Arun Business Partnership	Economy	
Greater Brighton Economic Board	Economy	
Greater Brighton Economic Board - Officer Steering Group	Economy	
Bognor Regis Regeneration Board and Bognor Regis Regeneration Steering Group	Economy	
South Downs and Coastal Plain Action Group	Economy	
Coast to Capital Strategic Joint Committee	Economy	
Rural West Sussex Partnership	Economy	
Experience West Sussex	Economy	
South Downs and Coastal Plain Action Group	Economy	
Action in Rural Sussex	Economy	
Coastal West Sussex Partnership Board (formerly Coastal West Sussex Area Investment Framework Board)	Economy	

CWS Skills & Enterprise Group	Economy	
CWS Tourism – Visitor Economy Project	Economy	
Littlehampton Traders Partnership	Economy	
Strategic Health Partnership (Estates)	Property, Estates & Facilities	
One Public Estate	Property, Estates & Facilities	
WSCC Independent Living Service	Private Sector Housing	
Energy Wise South	Private Sector Housing	
CDC & University of Chichester – Landlord Accreditation Scheme	Private Sector Housing	
Sussex Energy Saving Partnership	Private Sector Housing	
West Sussex Fuel Poverty Co-Ordinator	Private Sector Housing	
National Landlord Association	Private Sector Housing	
West Sussex Disabled Facilities Grant – Adaptations Project Steering Group	Private Sector Housing	
Adur & Worthing & Other Councils re: Out of Hours Noise Service	Licensing	
LABC Sussex Chief Building Control Officers Group	Building Control	

West Sussex Mediation Service	Residential Services	
Keystone Centre Management Committee	Neighbourhoods	
Parking and Traffic Regulations Outside London Adjudication Joint Committee (PATROLAJC)	Neighbourhoods	
South East Employers	Corporate Support	
St Mary's Community Centre, Felpham – Management Committee	Corporate Support	
Inter Authority Air Quality Group	Technical Services	
South East Coastal Group Monitoring Meeting	Technical Services	
Solar Together	Technical Services	
Electric Vehicle Charge Point Partnership	Technical Services	
Littlehampton Harbour Board	Technical Services	
LGA's Coastal Issues Special Interest Group	Technical Services	
WSCC On Local Lead Flood Authority Issues	Engineering Services	
Partners in South East Coastal Group & Environment Agency on Coastal Issues	Engineering Services	
Public Health England	Environmental Health	

Sussex Air Quality Partnership	Environmental Health	
Local Authority Caravan Site Licensing Officers' Forum	Environmental Health	
A27 Arundel Improvements Focus Group	Policy/Engineering	
A27 Arundel Improvement Steering Group	Place	
A27 Arundel Improvements Member Representatives group	Whole Council	
West Sussex & Greater Brighton Strategic Planning Board	Planning	
Coastal West Sussex Planning Board	Planning	
Conservation Area Advisory Committee	Planning	
Bognor Regis Heritage Partnership	Planning (Policy and Conservation)	
Littlehampton Town Council Heritage Partnership	Planning (Policy and Conservation)	
Felpham Village Conservation Authority	Planning (Policy and Conservation)	
South Downs National Park Authority	Planning	
Angmering Advisory Group	Planning	

North Littlehampton Advisory Group	Planning	
Yapton, Ford & Clymping Advisory Group	Planning	
Barnham, Eastergate and Westergate Advisory Group (BEWAG)	Planning	
Aldwick West & Pagham Advisory Group	Planning	
West Bersted Advisory Group	Planning	

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 16 NOVEMBER 2021

REPORT

SUBJECT: Updated Risk Management Policy Statement & Strategy

REPORT AUTHOR: Vicky Ashmore (on behalf of Governance & Risk Group) DATE: October 2021 EXTN: 37561 AREA: Corporate Support

EXECUTIVE SUMMARY:

The Council's Risk Management Policy Statement & Strategy has been reviewed and some minor changes made to reflect the change to the Committee system of governance at the Council

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to consider and note the updated Risk Management Policy Statement & Strategy

1. BACKGROUND:

The Audit & Governance Committee has oversight responsibility for the Council's risk management arrangements. The Risk Management Policy Statement & Strategy was last presented to the Committee in December 2017.

The document has been reviewed and minor updates have been made to reflect the Council's change from the Cabinet to Committee system of governance. (Changed areas are highlighted in the document).

2. PROPOSAL(S):

It is proposed that the Committee considers and notes the revised Risk Management Policy Statement & Strategy

3. OPTIONS:

To note the revised document

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓

Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION:

The Audit & Governance Committee has oversight of risk management arrangements within the Council and is asked to consider and note the Risk Management Policy Statement & Strategy which has been updated to reflect the changed governance arrangements of the Council

8. BACKGROUND PAPERS:

N/A



Risk Management Policy Statement and Strategy

Version 7

Version 1	August 2010
Version 2	September 2010
Version 3	July 2011
Version 4	July 2012
Version 5	September 2015
Version 6	September 2017
Version 7	October 2021

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Risk Management Policy

Arun District Council recognises that it has a duty of care to its residents, customers, employees, partners and visitors. In fulfilling this duty the Council will endeavour to apply high standards of governance and to be efficient, effective, transparent and accountable.

An important component of the corporate governance framework is to identify, evaluate and manage risks and opportunities so as to make a positive contribution toward achievement of the Council's aims and objectives.

The Council is committed to promoting an organisational philosophy that ensures that management of risk is an integral part of its business processes and assists with decision making and achievement of key objectives whilst also providing evidence of effective management and control in support of the Annual Governance Statement.

It is impossible to remove all risk, but effective practicable risk management will help to ensure that the Council maximises its opportunities and minimises the risks to which it may be exposed thereby improving outcomes and its ability to deliver its priorities.

Achievement of the Council's risk management objective requires the full support and active participation of Councillors, Corporate Management Team, Senior Management Team, all employees and partnering organisations. At all levels there is a need for an understanding of the nature of risk and acceptance of responsibility for control of risks within the area of work with which they are associated.

Management of risk is a continuous and dynamic process and the Council's approach will be kept under regular review.

.....
Chief Executive and Corporate
Support Director
Lead Officer for risk management

.....
Audit and Governance Committee
Lead Committee for risk management

Definitions

Governance

The arrangements put in place to ensure the Council fulfils its purpose and the intended outcomes for stakeholders are defined and achieved whilst operating in an effective, efficient, economic and ethical manner.

Risk

The chance or possibility of an event occurring that will impact upon the business of the Council creating uncertainty in achievement of objectives.

Risk Management

The planned and systematic approach to the identification, measurement, control, reporting and review of risks to inform decision making with a view to ensure best use of resources, continuity of service provision, taking advantage of opportunities and achievement of corporate priorities and objectives.

Risk Appetite

The level of risk the Council is prepared to tolerate or accept in pursuit of its objectives whilst recognising the potential benefits that might result from a higher degree of risk taking. A Statement of Risk Appetite is included at Appendix 3 of this document.

Purpose and Objectives of the Strategy

The purpose of the Risk Management Strategy is to establish and maintain a framework for the systematic management of risk.

The objectives of the strategy are to: -

- promote a risk management framework to be embedded within the culture and business processes of the Council
- manage risk in accordance with best practice
- anticipate and respond to changes in social, environmental and legislative requirements
- inform policy, strategic and operational decisions
- promote practical measures for the control of risk to an acceptable level within the Council's risk appetite
- promote stakeholder confidence in good governance of the Council

These objectives will be achieved by:-

- having defined roles, responsibilities and reporting lines within the Council for risk management
- recording the risk management issues considered when making decisions
- continuing to reinforce and demonstrate the effective application of risk management principles throughout the activities of the authority
- establishing, maintaining and reviewing registers of identified risks

Our Approach

By implementing a corporate risk management approach any risks and opportunities may be effectively managed and place the authority in a strong position to deliver its objectives.

Used well, risk management will inform and assist the business processes including;

- Strategic planning
- Service planning
- Financial planning
- Policy making & review
- Performance management
- Project management
- Partnership working
- Governance reporting

Members and officers with responsibility for achieving objectives also have responsibility for identifying and assessing risks and opportunities, developing and implementing control and warning mechanisms, and reviewing and reporting on progress. All identified risks and control measures should be recorded within risk registers and periodically reviewed.

Risks, together with operation and effectiveness of the control measures applied, and compliance with the adopted strategy will be reviewed as part of the annual internal audit plan and reported to Audit & Governance Committee. In addition, control measures that are assessed as not performing adequately will be reported to the Group Head for the service and/or Corporate Management Team as appropriate. Managing risks and performance through robust internal control and strong financial management is a key principle in delivering good governance in the public sector.

The risk management strategy adopted will be made available to all Members and employees via the intranet.

Benefits of Risk Management

Risk management when successfully embedded can produce many benefits as indicated in figure 1 below.

Figure 1: Risk Management Benefits



Strategic approach to risk management

In order to formalise and structure risk management within the Council, it is recognised that there are obvious and clear links between risk management and strategic planning, financial planning, policy making & review, and performance management.

The linkages are as follows:

- Each priority identified in the Vision and key objectives is translated into the Council's Service Delivery Plans (SDP's) and are targets that the Council will aim to achieve. During the lifetime of this plan there will be direct and indirect threats to the achievements and these are the risks that should be recorded.
- Measurement of performance against the corporate objectives, SDP's, performance indicators and key tasks is achieved in a number of ways including:
 - Monitoring and reporting performance on a regular basis and escalating through the organisation as appropriate.
 - The Corporate Policy and Performance Committee has responsibility for monitoring service performance within the Corporate Plan and Service Delivery Plans.
 - Consideration of Service Delivery Plans by Individual Service Committees will be subject to review.
 - The Corporate Policy and Performance Committee oversee the development of the Corporate Plan and Service Delivery Plans taking account of the outcomes of performance reviews and recommending any areas for change to the Full Council in line with the Policy Framework.
- Management of Key Strategic Risks which could affect the delivery of the Council objectives / targets is undertaken by the Corporate Management Team.
- SDP's are developed in accordance with the strategic objectives of the Council, and explain how each service helps to meet the Council's objectives in respect of:
 - national and local shared priorities
 - partnerships
 - service delivery
 - Council's vision and values
- Performance management and key objectives are cascaded down to all employees through the performance and development review framework which seeks to ensure that the duties of all employees are linked to the objectives of the service and the Council.

Implementation of risk management

The risk management process

Implementing the strategy involves a 5-stage process to identify, analyse, prioritise, manage and monitor risks

Stage 1 – Identification of the risks

The first step is to identify the 'key' risks that could have an adverse affect or prevent key business and service objectives from being met. It is important that those involved in the process clearly understand the service or organisation's key business objectives i.e. '*what it wants to achieve*' in order to be able to identify the barriers to achievement. It is important to consider the relevant SDP in a broad context, i.e. not focusing solely on specific detailed targets but considering the wider direction and aims of the service and what it is trying to achieve.

Also, when identifying risks it is important to remember that as well as the threats, risk management is about making the most of opportunities e.g. making bids for funding, successfully delivering major projects and initiatives, pursuing beacon status or other awards, taking a national or regional lead on policy development etc.

Using Appendix 1 as a prompt, various techniques can then be used to begin to identify 'key' or 'significant' business risks which could include: -

- A 'brainstorm' session;
- SWOT analysis;
- Horizon scanning;
- Own experience;
- Experiences of others - can we learn from others mistakes?
- Exchange of information/best practice with other authorities, organisations or partners.

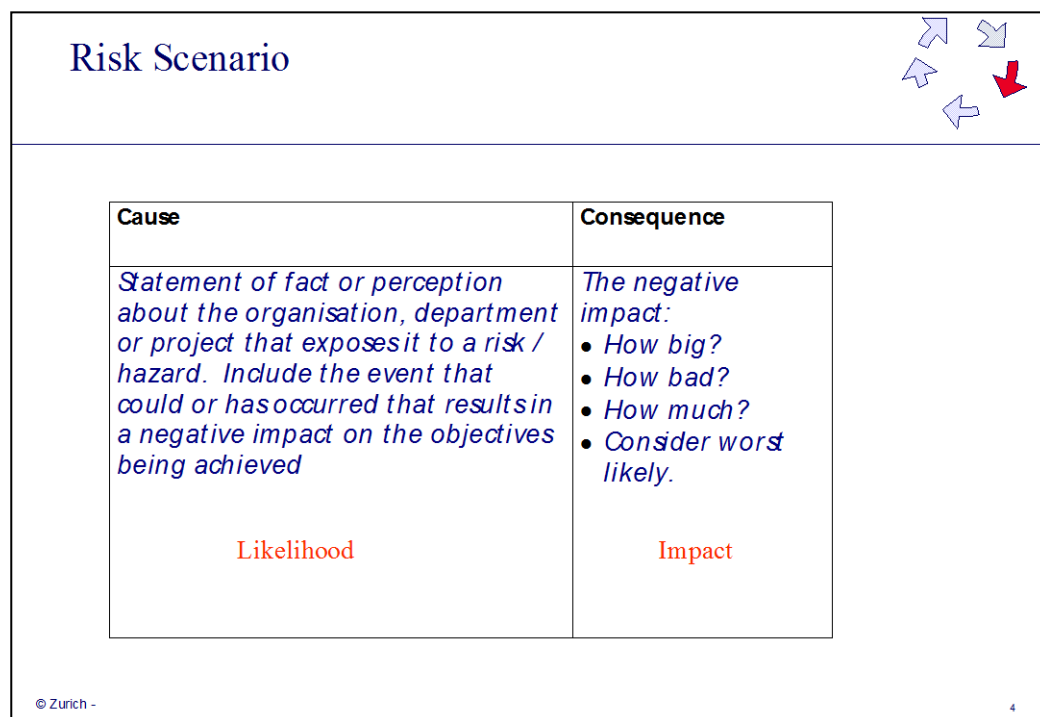
It is also recommended that a review of published information such as service delivery plans, strategies, financial accounts, media mentions, and inspectorate and audit reports be used to inform this stage, as they are a useful source of data.

The process for the identification of risk should be undertaken for projects (at the end of each project stage), partnerships, service delivery planning and at a strategic / corporate level.

Stage 2 – Analysing the risks

The information that is gathered needs to be analysed into risk scenarios to provide clear, shared understanding and to ensure the root cause of the risk is clarified. Risk scenarios also illustrate the possible consequences of the risk if it occurs so that its full impact can be assessed. There are 2 parts to a risk scenario. The cause describes the situation and/or event perceived to expose the Council to a risk. The consequences are the events that follow in the wake of the risk.

Figure 2: Example of the structure of a risk scenario



Each risk scenario is recorded in a risk register. The registers may be strategic, operational by service area, or relating to a specific project or partnership. The purpose of the risk register is to record details of the risk, its likelihood and impact (see stage 3) and mitigation or control measures.

Stage 3 – Risk Profiling and prioritisation

Following identification and analysis the risks need to be evaluated, i.e. the potential likelihood of the risk occurring, and its impact if it did occur, determined and scored.

When assessing the potential likelihood and impact, the risks must be compared to the appropriate objectives e.g. corporate objectives for the strategic risk profile, and service objectives for the operational risk profile.

The likelihood and impact should be considered within a relevant timeframe. A 2 to 4 year time horizon may be used at a strategic level to coincide with the setting of corporate priorities, and 12 to 18 month timeframe used at service level to link with service delivery plans and budgets. The likelihood and impact should also be assessed with existing controls in place, not taking future ones into account at that time.

Stage 4 – Action Planning (the 4 T's)

This is the process of turning 'knowing' into 'doing' and controlling or accepting the risks by deciding to;

- **Treat** - it may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, impact and financial consequences of the risk event.
- **Tolerate** - certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood and monitored.
- **Transfer** – pass the risk to another body or organisation i.e. insurance, contractual arrangements, outsourcing, etc.
- **Terminate** - end all or part of a particular service or project.

It is important to recognise that in many cases existing controls will already be in place and should be taken into account before considering further action.

Most risks are capable of being managed thereby reducing the likelihood or impact or both. Relatively few risks have to be transferred or terminated. Service plans should identify the resources required to deliver the mitigating actions or improvements.

Existing controls, their adequacy, new mitigation measures and associated action planning information should all be recorded on the risk register, including ownership of the risk and allocation of responsibility for each mitigating action. The risk mitigation measures may be recorded in the relevant business plans and cross referenced to risk register entries.

A further judgement may be made regarding a 'target risk score', i.e. a risk score that meets risk appetite such that the activity, project or initiative may proceed.

Stage 5 – Monitoring risk management

The Corporate Management Team is responsible for ensuring that the key risks on the strategic risk register are managed and the progress with the risk mitigation measures should be monitored at appropriate intervals. The Corporate Management Team and Senior Management Team are responsible for ensuring that the key risks in the operational or project risk registers linked to their respective service areas are managed. It is recommended that the 'red risks' feature as a standing item on Senior Management Team meeting agendas.

The strategic and operational risk registers should be reviewed periodically and risks re-scored where necessary. Risks should be amended so that they reflect the current situation, obsolete risks deleted and new risks added. This ensures that the risk registers and resulting risk mitigation measures are appropriate for the current corporate and service objectives. The strategic risk register should be reviewed at least annually by the Lead Officer and Lead Committee for risk management.

Operational risk registers should be reviewed and updated by the respective Directors and their service management teams as appropriate, but at least annually.

Reporting and escalating risks

As new risks arise, they should be promptly recorded on the relevant risk register. Also, the environment in which the risks exist will change making some risks more critical or others less important. Risk registers at each level should be updated to reflect these changes as they occur.

The Governance & Risk Group will collate the highest level (red risks) and other regularly occurring operational risks at service level and report same to the Lead Officer and Lead Committee for risk management for consideration toward inclusion as strategic risks which require corporate ownership and management.

Figure 3: risk matrix example

ARUN DISTRICT COUNCIL – STRATEGIC RISK SCORING MATRIX				
LIKELIHOOD OF OCCURRENCE	CERTAIN - 4		2,4a,6,12a, 16	
	PROBABLE - 3	17	5, 7a,7b, 10,11,12b,15	
	POSSIBLE - 2		9,14	8,13
	UNLIKELY - 1			
		INSIGNIFICANT - 1	MARGINAL - 2	SIGNIFICANT - 3
		IMPACT ON BUSINESS		
		SEVERE - 4		

The matrix has three filters - red, amber and green.

Red risks are those which cause the Council or service greatest concern, are in need of closer attention or 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.

Where there are a number of similar red or amber risks which share common causes and consequences and can therefore be similarly managed, it may aid action planning for the risks to be clustered and titled, e.g. staff recruitment and retention.

Roles and responsibilities

The following describes the roles and responsibilities that Members and officers will play in introducing, embedding and owning the risk management process.

Members

Elected members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces, and will be made aware of how these risks are being managed through the strategic and service planning processes. All members have responsibility to consider the risks associated with the decisions they undertake. They should not seek to avoid or delegate their stewardship responsibilities.

Audit & Governance Committee

It is the overall responsibility of the Audit and Governance Committee to approve the Council's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Council.

The Council's Constitution (Part 5, Item 5.1) defines the responsibilities of the Committee with regard to risk as to;

- Providing an independent assurance of the adequacy of the governance and risk management frameworks and the associated control environment so as best to protect the Council's reputation
- Providing independent scrutiny of the authority's financial and non-financial performance, to the extent that it affects the authority's exposure to risk and weakens the control environment,
- Overseeing the work of internal and external audit and receive periodic reports from the authority's Governance and Risk Group,
- monitor the effective development and operation of risk management and corporate governance in the Council,

Actions and decisions taken by the Committee on risk matters will be advised to Full Council through the minutes of the Committee.

Corporate Management Team

- To ensure that effective systems of risk management and internal control are in place to support the corporate governance of the Council.
- To take a leading role in identifying and managing the risks and opportunities to the Council and to set the example and standards for all staff.
- To advise Full Council on the risk management framework, policy, strategy and processes.
- To advise on the management of strategic and other significant risks.
- To ensure that the Policy and Strategy are communicated, understood and implemented by all Members and staff and fully embedded in the Council's business planning and monitoring processes.
- To identify, analyse and profile high-level corporate and cross-cutting risks on a regular basis as outlined in the monitoring process.
- To report to Members on the management of corporate and other significant risks and the overall effectiveness of risk management controls.
- To ensure that appropriate risk management skills training and awareness is provided to all Members and staff.
- The Chief Executive & Corporate Support Director is recognised as the Lead Officer for Risk Management
- To ensure the proper monitoring of the relevant SDP risk registers, local action plans and facilitating embedding of risk management into business and service planning.
- Ensuring that the risk management process is part of all major projects, partnerships and change management initiatives.
- Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options that are presented for decision.

Senior Management Team

- Each member of the Senior Management Team is individually responsible for proper monitoring of their service risk register, action plans and the embedding of risk management into the business and service planning of their relevant service areas.
- Be actively involved in the identification and assessment of service level risks resulting in an up to date service risk register and matrix.
- Ensuring that all reports of a strategic nature written for Members include a risk assessment of the options presented for a decision.
- To implement approved action plans.
- To maintain the awareness of risks and feed them into the risk identification process.
- Provide assurance on the adequacy of their relevant service's risk and control procedures

Governance and Risk Group

- To collate on an annual basis the key and consistent themes from SDPs, project and partnership risk registers and give feedback to services as appropriate.
- Report to the Lead Officer and Lead Committee for risk management on high priority risks within service areas and actions being undertaken to manage identified risks.
- To collate the highest level and most common operational risks (those risks of a more health and safety or liability perspective) from service level registers for further consideration and review.
- Monitor the implementation and embedding of risk management within key Council processes
- To identify risk management training needs across the council
- To act as a forum for the sharing of best practice.

Internal Audit

To carry out a continuous independent review of the Risk Management Strategy and processes and report thereon.

- To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To report to Corporate Management Team and Members on the control environment.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk and to provide an annual assurance statement to the Council based on work undertaken in the previous year.

Individual Employees

To identify risks surrounding their everyday work processes and working environment.

- To participate, where appropriate, in ongoing risk management within service areas, as part of the business planning process
- To actively manage risks and risk actions, where appropriate
- To demonstrate an awareness of risk and risk management relevant to role.

Conclusion

This strategy will set the foundation for integrating risk management into the Council's culture and will help to address the challenges made by external inspections and audit. It will also formalise a process to be applied across the Council to ensure consistency and clarity in understanding the role and benefits of strategic risk management.

The reporting and escalation of risks from Services to Senior Management Team should interlock with the existing arrangements for performance management reporting; the intention being that the management of risks is incorporated into service delivery planning so that the reporting of performance naturally reports progress on the mitigation of risks.

The adoption of the strategy will formalise the risk management work undertaken to date and will move the Council towards meeting external inspection requirements and good business practice for compliance with good corporate governance.

Appendix 1 – Risk Identification Prompts

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment	New political arrangements, Political personalities, Political make-up
Economic	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences of proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives	IT infrastructure, Staff/client needs, security standards, Business Continuity.
Legislative	Associated with current or potential changes in national or European law	Human rights, appliance or non-appliance of TUPE regulations
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives	Land use, recycling, pollution
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Fail to win quality accreditation, position in league tables
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation
Managerial/ Professional	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budget overspends, level of Council tax, level of reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Physical	Related to fire, security, accident prevention and health and safety	Offices in poor state of repair, use of equipment

Appendix 2 – Risk Analysis Table (example)

Level	Likelihood	Impact				
		Injury or Damage	Legal	Financial	Privacy	Reputation
1	Unlikely – no occurrence in last 5 years or for foreseeable future	Injury to person not requiring hospital treatment Loss of use premises for up	Litigation or fines or costs of not more than £5,000	Loss of money or uninsured costs of less than £5,000	Isolated case of non-sensitive data being revealed or compromised	Complaint contained within Service Area/Directorate
2	Possible – no occurrence within last 3 years or within timescale of project, initiative or objective	Injury to several people not requiring hospital treatment Loss of use of premises for up	Litigation or fines or costs of not more than £100,000	Loss of money or uninsured costs of less than £100,000	Several cases of non-sensitive data being revealed or compromised	Complaint with local media interest or coverage of issue.
3	Probable – No occurrence in last 12 months nor expected within next 12 months	Injury requiring hospital treatment Loss of use of premises for up	Litigation or fines or costs of not more than £500,000	Loss of money or uninsured costs of less than £500,000	Sensitive data being revealed or compromised	National media interest or coverage of issue
4	Certain – At least one occurrence in last 12 months or	Death of one or more individuals. Complete loss	Custodial sentence or litigation resulting in costs/fines of over £500,000	Loss of money or uninsured costs in excess of £500,000	Large volume of sensitive information revealed or compromised	National media interest and enforced resignation

APPENDIX 3

RISK APPETITE STATEMENT

Risk appetite may be defined as the level of risk the Council is prepared to tolerate or accept in the pursuit of its strategic objectives. Our aim is to consider all appropriate and practicable options to respond to identified risks and make informed decisions that are most likely to contribute toward successful delivery and value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate delivery failure are employed.

It is recognised that risk appetite may vary according to the activity undertaken and its potential benefits. Our approach is to minimise exposure to compliance and reputational risk whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated below;

	Lower	Moderate	Higher
Compliance & Regulation			
Operational /Service Delivery			
Financial			
Reputation			
Transformational Change			
Development & Regeneration			
People & Culture			

Compliance & Regulation –

The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

Operational/Service Delivery –

In seeking to achieve its strategic objectives the Council accepts a moderate to high level of risk arising from the nature of its business operations at an appropriate level of service delivery and value for money whilst minimising negative reputational impacts.

Financial –

The Council aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria;

- To set a balanced overall revenue budget and for Directors and Service Managers to contain net expenditure within approved service revenue and capital budgets
- In accordance with its reserve strategy to maintain a minimum General Fund unallocated reserves balance of £4m at all times
- The maximum level of variable interest rate exposure on its gross debt not to exceed 40%

Reputation –

It is regarded as essential that the Council seeks to preserve a high reputational standard and hence has set a low appetite for risk in the conduct of all of its activities that may put its reputation in jeopardy through negligent statements or adverse publicity.

Transformational Change –

The environment in which the Council operates is continually changing through both external and internal factors and demands. Change projects provide the Council with an opportunity to establish longer term benefits and continual improvement in the delivery of value for money services. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to ensuring that risks are managed appropriately.

Development & Regeneration –

The Council has a continuing obligation to invest in the development and regeneration of the district. To be progressive and innovative in meeting this obligation the Council is willing to accept a higher appetite for risk whilst ensuring that the risks and benefits to be gained are fully understood in order that informed decisions are made.

People & Culture –

The Council recognises that its employees are critical to the achievement of its objectives and that staff support and development are key to making the Council as a place of work that inspires good performance. It has a moderate to high risk appetite around decisions that involve staffing or culture to support transformational change and continual improvement.

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ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 16 NOVEMBER 2021

REPORT

SUBJECT: Updated Strategic Risk Register 2021/22

REPORT AUTHOR: Stephen Pearse (on behalf of Governance & Risk Group)

DATE: October 2021

EXTN: 37561

AREA: Corporate Support

EXECUTIVE SUMMARY:

The Council's Strategic Risk Register has been reviewed and revised to reflect changes since its last update in July 2020

RECOMMENDATIONS:

Members of the Audit & Governance Committee are requested to consider and note the revised Strategic Risk Register

1. BACKGROUND:

1.1 INTRODUCTION

The Council's Risk Management Strategy requires that the Strategic Risk Register (SRR) should be reviewed periodically and risks re-scored where necessary. The Audit & Governance Committee has Member oversight of the risk management arrangements within the Council.

The Strategic Risk Register was last considered by the Committee at its July 2020 meeting, following an interim review taking account of the significant new risks arising from the global Covid-19 crisis.

The Council's Governance & Risk Group (Chaired by the Director of Place) has reviewed and updated the Register with input from the Corporate Management Team.

2. PROPOSAL(S):

It is proposed that the Committee considers and notes the revised Strategic Risk Register

3. OPTIONS:

To note the revised Strategic Risk Register or to request that changes / additional risks be considered for inclusion

4. CONSULTATION:		
Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓
Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION: The Audit & Governance Committee has oversight of risk management arrangements within the Council and is asked to consider and note the revised Strategic Risk Register

8. BACKGROUND PAPERS: N/A

STRATEGIC RISK REGISTER 2021/22

ARUN DISTRICT COUNCIL – Risk Profile

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Likelihood	4 Certain			16	1, 6a
	3 Probable		6b	3, 4, 8	13, 19, 20
	2 Possible		10	2, 5, 7, 9, 11	12, 17
	1 Unlikely		18	15	
		1 Insignificant	2 Marginal	3 Significant	4 Severe
Impact					

20 Strategic Risks	
	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

STRATEGIC RISK REGISTER 2021/22

Strategic Risks


Risk Number	Title	Current Score	Current Assessment (Score is Likelihood x Impact)	Movement	Previous Score
1	Finance	16	4x4 Certain x Severe	↔	16
2	Change Management and Service Transformation	6	2x3 Possible x Significant	↔	6
3	Regeneration and Economic Development	9	3x3 Probable x Significant	↔	9
4	Procurement and Contracts Management	9	3x3 Probable x Significant	↔	6
5	Member Decision Making	6	2x3 Possible x Significant	↔	6
6a	Homelessness	16	4x4 Certain x Severe	↔	16
6b	Affordable Housing Development	6	3x2 Probable x Marginal	↔	6
7	Local Plan	6	2x3 Possible x Significant	↔	6
8	Partnerships	9	3x3 Probable x Significant	↔	9
9	Information and Data Security	6	2x3 Possible x Significant	↔	6
10	Community Engagement and Customer Insight	4	2x2 Possible x Marginal	↔	4
11	Coastal Protection and Land Drainage	6	2x3 Possible x Significant	↔	6
12	Corporate Business Continuity	8	2x4 Possible x Severe	↔	8
13	Cybersecurity	12	3x4 Probable x Severe	↔	12
15	Local Authority Trading Companies	3	1x3 Unlikely x Significant	↔	3
16	Corporate Stock Compliance Issues	12	4x3 Certain x Significant	↔	12
17	Elections	8	2x4 Possible x Severe	↓	12
18	Brexit Implications	2	1x2 Unlikely x Marginal	↔	2
19	Climate Change	12	3x4 Probable x Severe	↔	12
20	Coronavirus Pandemic	12	3x4 Probable x Severe	↓	16

STRATEGIC RISK REGISTER 2021/22

Removed from Strategic Risk Register					
14	New Littlehampton Leisure Centre (opened 2019)	n/a	n/a	Removed at 2019 review	n/a

Last review: October 2021

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
1	16 	Finance <ul style="list-style-type: none"> Uncertainty around outcome on business rates changes and New Homes Bonus Uncertainty over future central government funding CIL funding changes Reduction in government grants going forward Impact of changes in immigration rates Uncertainty around outcome of welfare reform Anticipated Budget deficit from 22/23 Post Brexit and Covid - uncertainty over the economy Possible multiple future borrowing requirements for General Fund and HRA. Borrowing may be impacted by changes to CIPFA Prudential Code PWLB interest rates increased Significant external funding required to progress regeneration proposals Insufficient funding for capital projects / corporate building maintenance New targets of Council may not be affordable Possible significant increased pay claim for future Reduction in grant funding from WSCC Major financial impact of coronavirus crisis 	<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>	Responsibility: CM <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 Additional savings to be made in future years National and institutional investment uncertainty – UK credit ratings reduced Ongoing low interest rates, reducing treasury investment returns Loss of future EU grant funding (regeneration impact) – post-Brexit UK replacement funding uncertain Further pressure on demand-led services e.g. benefits, homelessness, etc. Possible negative impact on housebuilding, etc. Interest and capital repayments to be made on borrowing Ability to maintain minimum reserve level will be threatened Major regeneration projects cannot be progressed Corporate buildings are not adequately maintained Council strategic targets / Priorities cannot be achieved 	<ul style="list-style-type: none"> Good culture of financial management previously = strong position going forward Medium Term Financial Strategy (MTFS) regularly reviewed and reported to Members at CPPC October 2021 Capital Strategy 2021/22-2023/24 adopted and to be reviewed annually CIPFA new Financial Management Code (FMC) covering Local Authorities published for implementation from 2021/22 Strong asset management Appetite to invest capital strategically Local Council Tax Support scheme agreed annually Treasury strategy / good investment performance – monitoring of available investment opportunities Innovative schemes being considered to generate future revenue e.g. Property Investment Fund Updated HRA Business Plan produced and monitored HRA rent uplift recommenced in 2020/21 Monitoring of possible changes to Government policy, legislation, etc. Other more innovative investment schemes being considered, but higher risk to obtain rewards WSCC engaged with the Council to progress the Arun Growth Deal – more weight to requests to the LEP for funding Funding bids for major projects (e.g. regeneration) being progressed via LEP, Levelling-Up Fund, etc.

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
				<ul style="list-style-type: none"> Council Budget and financial plans overtaken by impact of global events. The Council is now facing massive uncertainty with significant reduction in income and more demands on expenditure in 2020-21 	<ul style="list-style-type: none"> Participation in external bodies (e.g. Greater Brighton Economic Board) to lever external funding Initial funding to progress revised strategic targets agreed and future funding will be considered for business cases Government coronavirus support initiatives monitored and progressed (e.g. providing funds to local businesses) Significant funding received from central government for Covid support Impact on Council finances being closely monitored – Budget and financial plans will need review once the country is at a more stable position
2	6 ↕	Change Management and Service Transformation <ul style="list-style-type: none"> Ineffective prioritisation in a smaller organisation Residual '2020 Vision' work and management / operational restructures stretching resources and possibly leading to conflicting outcomes Additional overhead from changed targets / Priorities of Council which may change again following change of controlling party in 2021 Limited specialist project management staff for future major developments Outcome of future re-tendering exercises could lead to major change projects affecting core systems / processes Uncertainty surrounding Government's 'devolution' agenda 	The council may not have the resource capacity (numbers, knowledge, expertise); and staff and members may have inherent resistance to change which will make it difficult to deliver the strategic outcomes	Responsibility: CMT <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 Lower morale and motivation (may increase in areas of potential change / 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 	<ul style="list-style-type: none"> All major ICT and business change requests are reviewed to ensure we invest in the right projects (by ICT, CMT and committee, as appropriate) ICT Service Strategy 2019-2023 progressed in 2018 which will provide direction in terms of future capability Separate Digital Strategy & Blueprint developed and agreed by Members Customer Access Strategy reviewed and updated. Member consultation and implementation plan being progressed Report on current strategic targets / Priorities presented by CEO and agreed by Full Council Council priorities and performance indicators to be reviewed in 2021/22 for implementation from 2022 Training and development plans considered in annual performance review

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Finite budget will restrict what can be achieved Potential significant restructuring costs (e.g. Housing) Changes and initiatives impacted or on hold due to coronavirus crisis 		<ul style="list-style-type: none"> 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 / new initiatives fail to deliver desired outcomes Limited budget for capital projects Some emergency changes required to assist with coronavirus crisis 	<ul style="list-style-type: none"> Senior Management Development Programme (LEAD) and New Manager programmes to be progressed Short vs Long term sickness absence reported to Members and specific consideration of workplace stress issues progressing Capital project plan agreed by Members to allow for initial workload prioritisation Outstanding 'review of service' programme areas to be completed – aim being better service, at reduced cost Council will continue to investigate partnering opportunities with other Councils Elements of shared services with other public bodies are working well Council open to looking at more shared services and partnerships in future Longer-term initiatives to be revisited once a more stable position is reached Interim CEO appointed pending permanent recruitment
3	9 ↕	Regeneration and Economic Development <ul style="list-style-type: none"> Lack of visible progress with Bognor Regis developments which are now being reconsidered by Council Failure to resource and implement the action plan to deliver the long-term regeneration strategies (for Bognor Regis and generally throughout ADC) Lack of funding to deliver major regeneration projects Decisions not made swiftly enough. Further change of controlling party 	The plans to develop Bognor Regis and Littlehampton 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	Responsibility: DV <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 	<ul style="list-style-type: none"> Options for Regis Centre and Hothampton sites to be reconsidered by Council for public consultation. Further presentations / ideas invited from interested parties Funding and development options to be progressed. Funding bids for major projects (e.g. regeneration) being progressed via LEP, Levelling-Up Fund, etc. Some capital spend projects progressed (East Bank, River Arun, Hotham Park café, etc.)

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<p>in 2021– strategic regeneration vision yet to be agreed</p> <ul style="list-style-type: none"> Lack of public / partner acceptance of, and buy-in to strategies Legal challenges increase Multiple major projects running simultaneously – resource stretched Impact of growth of Butlins and Chichester University influencing local market conditions Other Council borrowing priorities / increase in PWLB rates Uncertainty surrounding major Government schemes impacting the area e.g. Arundel by-pass, Chichester by-pass Initiatives impacted or on hold due to coronavirus crisis Impact of pandemic on local economy 		<ul style="list-style-type: none"> Development of council land (car parks, etc.) could mean loss of income stream Lack of growth Increase in economic stagnation Area turns into a commuter belt and is not regenerated leading to decline Financial and reputational risk / poor publicity Further uncertainty over availability of Council and external funding in the future Business closures e.g. in retail, hospitality and leisure sectors 	<ul style="list-style-type: none"> Successful funding bid to enable Littlehampton regeneration / public realm improvements to progress Central funding obtained and significant progress made on some regeneration schemes (Bognor Regis public realm, BR station) National supermarket chains investing in the district Revised planning applications for Salt Box site (LEP bid for infrastructure grant unsuccessful) Bognor Regis Town Centre BID established Continued working with key partners (e.g. Butlins, Chichester University) Investment prospectus prepared for Bognor Regis 'Innovating Our High Streets' initiative to progress Economic Strategy, Seafront Strategy and Tourism / Events Strategy to be developed Initiatives to be revisited once a more stable position is reached Proposals for Place St Maur (with successful bid for external funding) and Sunken Gardens being progressed Economy Group administering payment of Government-funded Covid discretionary grants to local businesses
4	9	Procurement and Contracts Management		Responsibility: CM / PD	
		<ul style="list-style-type: none"> Major contracts let (waste collection, leisure, greenspace) – however future lettings may not make savings, achieve the level of 	The Council has recently let a number of its most significant contracts (leisure, waste management, grounds	<ul style="list-style-type: none"> Tension between existing contractors and the council through tendering / change periods 	<ul style="list-style-type: none"> Contract specialists used for the re-tender processes Clearer communication of council's expectations of contractor(s)


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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<p>external investment, or provide service to the expected standard</p> <ul style="list-style-type: none"> • Changed central requirements may affect future contracts (e.g. food waste, green vehicles, etc.) • Other major contracts under review / approaching re-tender • Council may be reliant on third party (e.g. WSCC) timescales • Major IT systems due for re-tender • Recent loss of Council's Procurement staff • Significant impact of coronavirus crisis on activities and funding of key partners • Future refurbishment / replacement plans required for leisure centres 	<p>maintenance, services for the elderly)</p>	<ul style="list-style-type: none"> • Poor publicity / reputational issues • Cost savings are not achieved • Service quality deteriorates • Possible major projects and operational changes required if it is decided to change long-established IT systems • Challenge to Council if procurement processes not followed • Required infrastructure not in place in time for new contracts • Operations of some partners suspended during coronavirus crisis • Key contractors (e.g. Freedom Leisure and Biffa) required additional support to ensure continuity of their contracts through pandemic • Freedom Leisure management fee will be impacted until their income rebuilds post-Covid 	<ul style="list-style-type: none"> • Strategic view going forward • Leisure Management and Greenspace contracts awarded with significant savings and investment commitment • Waste management contract extended to allow additional savings • Food waste pilot under way in 2021 • Services for activities for the elderly still being progressed • Procurement advice arrangement with Hampshire CC progressed by Finance • Implementation plans to be agreed with relevant service areas • Liaison with key partners as to current and future operations and finances • Council applying for relevant grants from Government e.g. National Leisure Recovery Fund
5	6 ↕	Member Decision Making		Responsibility: Interim CEO	
		<ul style="list-style-type: none"> • Post May-2019 Council was No Overall Control (NOC) and conflict may have affected decision making • Further change of political control from May 2021 • Some lack of understanding of resource requirements and change issues • Unwillingness by some members to communicate unpopular changes and decisions to the public 	<p>Decision making may be impacted as Council is now No Overall Control</p> <p>The complexity of current legislation could lead to some members not having the necessary skillset to meet the demands of the changes and increasing financial and service delivery pressures facing the council</p>	<ul style="list-style-type: none"> • Potential DPA / FOI issues • More vulnerability to governance and compliance failures • Decisions held up by process • Review / reversal of previous Council decisions • Poor publicity / reputational risk • Additional costs if decisions (e.g. Planning) go to appeal 	<ul style="list-style-type: none"> • Overall member desire to see council move forward • Common goals / revised strategic targets to be agreed and progressed • Cabinet Working Party review of scheme of delegation of authority completed • Review of Constitution and Codes of Conduct progressed • Agreed Corporate Plan with focus on key issues (to act as a "temperature gauge")

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Some Members are also County Councillors and Parish / Town Councillors which could lead to conflict Perception that not all members are involved in decision making / lack of transparency Temporary suspension of public meetings during coronavirus crisis Legislation supporting virtual meetings through pandemic expired in May 2021 Council Monitoring Officer left in 2020 Change to committee system of governance from May 2021 		<ul style="list-style-type: none"> Less ownership and leadership at local levels through lack of engagement Unclear / untested future decision making via committees could lead to delays in Council decisions – some confusion as to responsibilities and delegation during bedding-in period Temporary lack of clear / effective decision making Some Full Council meetings have had to be split and decisions have been delayed Decisions taken at virtual meetings from May 2021 may not be legal / binding Member conduct at meetings subject to complaints Council has no permanent current Monitoring Officer 	<ul style="list-style-type: none"> Induction plan for new members provided after May 2019 elections Governance Working Party considered options for future arrangements prior to decision to change Adoption of new governance arrangements from May 2021. Committees considered their terms of reference and queries referred back to Constitution Working Party Additional Committees resource to administer future arrangement obtained as part of revised Council strategic targets New committees' system Member iPads and O/365 implemented and live in May 2019 Decisions made documented during Covid crisis period Coronavirus legislative changes temporarily allowed public Council meetings to be held remotely Extraordinary meeting of Full Council agreed to continue with virtual meetings until public meetings could again be safely held – during this period, Member decisions were advisory only and were enacted by the Chief Executive under his emergency powers Physical meetings are now being held again from July 2021, but with attendance restrictions and social distancing Meetings continue to be webcast Standards Committee in place to consider complaints
6a	16	Homelessness		Responsibility: SKa	

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<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 Slow progress on purchase of additional temporary accommodation Uncertainty over Government 'levies' (e.g. pay to stay, etc.) Uncertainty over immigration post-Brexit and with 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 impact of government benefit changes – Universal Credit, etc. 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 Additional responsibilities under the Homelessness Reduction Act 2017 Continuing loss of HRA properties through Right To Buy (RTB) Potential loss of WSCC funding for 'commissioned services' / to voluntary organisations 	<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 in demands on Council Future increase in number of homeless Evictions resume in 2021 following removal of Covid protection measures Less capacity within charities / voluntary organisations Extra bed and breakfast costs being incurred again in future – costs still increasing. Further costs for housing the homeless through the pandemic period 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"> Housing Allocations Scheme revised in 2018 to meet requirements of Homelessness Reduction Act, including re-definition of the qualification criteria More effective processes (including prevention) and additional software obtained, aiming to reduce B&B costs incurred Restructure of Housing department being progressed New Housing & Homelessness Strategy progressed Housing contracts being examined and reviewed Council commitment / increased Member interest toward building new affordable homes and bringing empty homes into re-use; possible new Government initiatives Purchase of properties by the Council since 2017 as part alternative to continued use of private bed & breakfast accommodation Updated HRA Business Plan produced and monitored. Commitment to increase housing stock by 230 properties in period to 2031/32 to offset RTB sales (but target may change as part of strategic priorities) Small amount of additional Government grant funding Council investigating development of General Fund land for e.g. student accommodation to ease pressure on rental market LGA / Councils lobbying Government regarding changes to RTB legislation / receipts Council Chief Executives liaising with WSCC to identify impact and

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Additional requirements through the pandemic period Covid protection from evictions now lifted 			<p>consequences on local Councils and voluntary organisations</p> <ul style="list-style-type: none"> Liaison with external organisations in respect of homelessness / rough sleepers through coronavirus crisis period (e.g. use of Butlins accommodation) Some additional Covid costs funded by Government Council support to voluntary and community sector infrastructure support (VAAC) and Community Information and Advice service (Citizens Advice)
6b	6 ↕	Affordable Housing Development <ul style="list-style-type: none"> Lack of in-depth internal development expertise for house building 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 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 	The council may not be able to fulfil the development targets for building new homes	Responsibility: SKa <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 Significant borrowing may be required Increased cost of borrowing from PWLB rate change Reviews and changes are resource intensive Impact on council legal team resource / extra costs of external resource Significant reduction in HRA rent income until rent increases allowed Development schemes are less economically viable and not progressed by landowners Area is not seen as a viable market for development 	<ul style="list-style-type: none"> as 6A above New Housing & Homelessness Strategy progressed Requirement for proportion of new developments to be affordable housing (e.g. via S106) Review of Council-owned land for possible development Several house purchase schemes being investigated / progressed Engagement with appropriate partners to attract funding and development Monitoring / reporting of RTB 1:1 receipts to CMT and Cabinet HRA Business Plan adopted and reviewed annually HRA rent uplift recommenced in 2020/21 Initiatives to be revisited once a more stable position is reached

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Reduction in new RTB receipts Delay in new house build program Increased delivery targets from new Council, but may not be affordable / deliverable Government legislative changes 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 Initiatives impacted or on hold due to coronavirus crisis 		<ul style="list-style-type: none"> Potential return to Government of 1:1 receipts Council targets fail to be met Further uncertainty over future Council funding due to coronavirus crisis 	
7	6 ↕	<p>Local Plan</p> <ul style="list-style-type: none"> The Council is to review the Local Plan in order to update our policies on issues such as climate change and to address the current under-delivery of housing against agreed targets More neighbourhood plans are being developed at Parish/Town Council level Not meeting the Housing Delivery Test requirements or % year Housing Supply means the Council is more vulnerable to planning decisions being overturned on appeal Resident challenge on strategic decisions via Petition Member decisions leading to additional appeals Further significant Government planning and regulatory reforms anticipated 	Although the Local Plan has been adopted, the Council could still be vulnerable to development in unallocated areas if the Council is unable to maintain a 5-year supply of housing or meet the required Housing Delivery Test requirements	<p>Responsibility: NC</p> <ul style="list-style-type: none"> If ongoing test and supply requirements are not met, there will be less ability to make strategic planning decisions, increasing the prospect of development in unallocated areas and a lack of cohesion within the locality Significant cost for lengthy planning framework review Additional costs to defend planning appeals Local Plan / changes may become quickly outdated 	<ul style="list-style-type: none"> More information to members (seminars and workshops, etc.) to explain the issues & Government planning requirements and implications thereof Additional training to be provided to Members making planning decisions Supplementary estimates for defending planning appeals agreed Planning department resource remains under review Further consultant review in 2020 and Member Planning Review Working Party set up to progress findings Revised studies and policies consulted on and agreed by Members, prior to submission to the Inspector Land supply and strategic sites to be kept under review Planning policies to be reviewed as part of climate change issues and wider Local Plan review

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Additional critical 'Duty to Cooperate' issues emerging 			<ul style="list-style-type: none"> However, Members have agreed in October 2021 that review and preparation of a revised Local Plan be suspended until details of the new plan making system are agreed and provided by Government (situation to be reviewed in 6 months) Housing Delivery action plan to be progressed
8	9 ↕	Partnerships <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 do not produce benefits / synergy Public health transition will mean partnership working with NHS clinical commissioning groups – significant local concerns in respect of GP practice closures and lack of overall co-ordination of activities within the NHS Government impetus to share more, leading from funding reductions & potential lessening of political control Lack of understanding of potential opportunities in the marketplace 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 	If key partnerships 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	Responsibility: JF <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 community 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 Less capacity within charities / voluntary organisations Loss of partner organisations and assistance due to coronavirus crisis New partnerships will require additional spend and/or officer time 	<ul style="list-style-type: none"> The Council will continue to investigate partnering opportunities with other Councils Engagement with external partner agencies Roles and responsibilities, priorities, finances, etc. defined as part of arrangements 'Partnership' definition agreed by CMT to inform relevant discussions on Vision Partnership Register being collated Audit & Governance Committee interest in progress – further report due in late 2021 Voluntary and support sector funding subject to ongoing review Council Chief Executives liaising with WSCC to identify impact and consequences on local Councils and voluntary organisations Liaison with external partners – additional community initiatives being set up during crisis

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Lack of progress against past audit recommendations Reduction / lack of commitment from external partners - funding cuts could impact existing services Impact of Local Policing Plan putting greater pressure on specific Council services e.g. Community Safety, Environmental Health, Housing, etc. Potential loss of WSCC funding for 'commissioned services' / to voluntary organisations Additional strain on partnership working due to coronavirus crisis Climate change agenda may require Council to enter further partnerships 			
9	6 ↕	Information Governance and Data Security <ul style="list-style-type: none"> Increasing FOI and DPA requests (national issue) / complexity and limited resources which are stretched More information sharing can lead to less control Lack of Member awareness on information governance and data security requirements and standards. Lack of formal mandatory training and staff awareness of new requirements Additional burdens from EU General Data Protection Regulation (GDPR) – concern over resources available to meet these 	The council is facing an increased risk of a breach of Data Protection Act / General Data Protection Regulation	Responsibility: SKh <ul style="list-style-type: none"> Increased vulnerability to breach of Data Protection Act / GDPR leading to reputational damage / financial penalties (and significantly higher fines possible under GDPR) Less time within Council Advice & Monitoring 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 compliance Potential ICO censure / financial costs from the GDPR 	<ul style="list-style-type: none"> Trained resource to handle FOI / DPA requests DPA / FOI training programme progressed for staff with annual updates planned Council networks reviewed by consultant and annual certification to Public Services Network (PSN) standard required – Council now certified to March 2022 but there is significant ongoing work for each renewal ICO guidance on preparation for General Data Protection Regulation (GDPR) reviewed and Action Plan progressed. Additional, external advice obtained Data audit conducted and policies updated for DPA/GDPR compliance, will now be subject to ongoing review

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Increase in home and mobile working Limited specialist resource to investigate data breaches – ICT support is not (formally) 24x7 Council Data Protection Officer left in 2020 Overhead in respect of annual PSN submission 		<ul style="list-style-type: none"> Poor publicity / reputational issues Incident management of possible breaches will require corporate / CMT support and will impact existing work Access to some Government services may not be allowed without PSN certification 	<ul style="list-style-type: none"> Data Protection Officer (DPO) appointed and trained (interim arrangements in place from mid-2020) Policy / publication updates being completed and regular briefings provided to CMT and staff DPA/GDPR training provided to all staff and Members. E-Learning being added for Information Governance – new mandatory training obtained for 2021 Information Security Group (ISG) oversight of data protection and security compliance Incident management process developed and advised to staff / management Additional data protection resource obtained Head of Technology & Digital and ICT & Digital Manager added to delegated authority for DPA/GDPR (to increase capacity) Availability arrangements for ICT out-of-hours incident response accepted by CMT Ongoing monitoring to ensure security is maintained while alternative working methods are in operation during coronavirus crisis
10	4 ↕	Community Engagement and Customer Insight		Responsibility: JF	
		<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, but direction unclear - over reliance on web-based 	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 major initiatives that are effective and relevant (e.g. Local Plan, regeneration) Difficulty communicating changes to service delivery 	<ul style="list-style-type: none"> Your Council – service area objectives extended for 2018-2021 Corporate Plan reviewed / updated for 2018-on Council priorities, Corporate Plan and performance indicators to be reviewed in 2021 for implementation from May 2022.

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<p>systems could alienate public and councillors</p> <ul style="list-style-type: none"> • 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 • Challenge / poor publicity surrounding housing proposals by developers • Customer satisfaction results reducing • Major impact on community during coronavirus crisis 		<ul style="list-style-type: none"> • Failure to maximise opportunities within the community • Rural opportunities could be overlooked • Poor publicity / lack of community support 	<p>Proposals will be published for public consultation</p> <ul style="list-style-type: none"> • Customer satisfaction results under review – improved in 2020. Options for future satisfaction surveys to increase engagement considered by Member working party • Customer Services changes resulting from Vision work / service transformation • Council commitment to providing more digital opportunities. Further work on website development and social media channels progressing, including direct chat facility • Redesigned website in mid-2021, now more customer-focused • New Arun ICT Service Strategy 2019-2023 agreed and a separate Digital Strategy and Blueprint developed • Social media policies reviewed and updated • Customer Services Strategy reviewed and approved in 2021 • Customer Services Strategy Vision 'to put customers at the heart of what we do' • Public engagement strategy to be developed • Consultant review of Planning undertaken in 2020/21 and recommendations to be progressed • Key Council meetings now webcast and recorded • Council liaising with external bodies (e.g. WSCC) in respect of community support during coronavirus crisis • Post-Covid changes to reception functions being progressed – appointment

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					booking system for face-to-face or virtual contact to be implemented
11	6 ↕	Coastal Protection & Land Drainage <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 <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 Increased climate change risk - Member concern at external comment on 'managed realignment' and impact on Arun District and residents <p>Land Drainage:-</p> <ul style="list-style-type: none"> All parties (across the network) need to be aware Possible removal of Internal Drainage Boards may lead to responsibilities being passed back to the Council 	<p>Some areas of the District are subject to significant erosion issues, with a high risk to dwellings</p> <p>The Council must fulfil its responsibilities as landowner (riparian) under the Land Drainage Act to ensure that its part of the whole network functions effectively</p> <p>The Council has powers (under the Coastal protection Act) and also responsibilities for maintenance of assets on its controlled land</p>	<p>Responsibility: NS</p> <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 Negative impact on some strategic housing sites (e.g. Littlehampton West Bank) <p>Coastal Protection:-</p> <ul style="list-style-type: none"> Increased risk of problem extending to neighbouring coastal areas Environmental impact 	<p>Coastal Protection:-</p> <ul style="list-style-type: none"> Council installed additional short-term defences (heavy rocks and shingle recycling) Shingle is being moved from Littlehampton west bank to the east bank to assist coastal management and the protection of harbour assets Engaging with residents and Parish Councils Engaging with other relevant authorities (e.g. Environment Agency, Chichester DC) Lobbying central government Some partnership grant funding (flood and coastal erosion grant from the EA) provided to approved major flood and coastal risk management schemes Pagham – spit breached in 2016 and the community now has an approved planning application to cut through the remaining part Climping beach – the Council is working with the EA in respect of a mitigation strategy for the breached sea defences The Council has a forward capital programme (informed by the Shoreline management Plan and Coastal Defence Strategies) and a year-on-year revenue programme Council considering Committee on Climate Change report and will consider future Government / EA advice and

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					<p>proposals. To feed into wider Council consideration of climate change issues</p> <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 Drainage Engineer appointed to progress Council land responsibilities and to assist other parties
12	8 ↕	<p>Corporate Business Continuity</p> <ul style="list-style-type: none"> Threat of loss of buildings / infrastructure through fire, flooding or other incident Continued uncertainty over the future of BRTH, which would act as recovery site for the Civic Centre IT critical system recovery requirements still to be agreed Significant ransomware attacks against other Councils 	<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> <p>See separate risk #20 covering the coronavirus</p>	<p>Responsibility: JR-W</p> <ul style="list-style-type: none"> Loss of buildings or access to buildings through fire damage, flooding 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 Ransomware attacks could lead to lack of IT and systems for extended period and significant recovery costs 	<ul style="list-style-type: none"> Advice obtained from Council's insurers Corporate Business Continuity Plan under development for agreement by CMT and subject to workshop testing Service Business Impact Analysis (BIA) and Business Continuity Plans (BCP) reviewed and updated in order to identify critical service and IT requirements BIA and BCP to be reviewed / updated by all service areas annually. Will be required to consider extended outage without IT systems Revised evacuation / incident procedures due after Civic Centre bomb scare incident Workspace recovery plans to address identified impacts and plans Procurement tender processes require major contractors to have business continuity plans in place

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No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					<ul style="list-style-type: none"> Business continuity arrangements invoked / enhanced during coronavirus crisis
13	12 ↕	Cybersecurity <ul style="list-style-type: none"> Increased threat of cyber-attacks (viruses, malware, ransomware, etc.) – other Councils have been hit by significant ransomware attacks Poor working practices by staff / partners could lead to security breaches Increased risk of opportunistic hacking, phishing, etc. during coronavirus crisis 	The council is facing an increased risk of cyber threat	Responsibility: CM <ul style="list-style-type: none"> Loss of key systems / inability to provide key services Loss or corruption of data Financial loss – which could be £M's to recover from a major incident Reputational damage Costs / time spent to recover – which may be high and lengthy A major incident could result in no access to any type of technology for weeks and access to back office systems likely to be longer 	<ul style="list-style-type: none"> Proprietary security software in use on pc's, networks and mobile devices ICT deploy appropriate security measures to minimise cyber risks (e.g. firewalls, anti-virus checking, etc.) Additional security products (e.g. using artificial intelligence / machine learning) purchased Security and ICT usage policies in place and regularly updated Rolling process is in place to patch all systems to the latest versions Vulnerability testing undertaken to meet certification requirements and PSN certification achieved e-Learning now in place and adding system to test understanding and record completion Incident response and reporting mechanisms have been reviewed and implemented Regular updates provided to CMT Cybersecurity certification being progressed Cyber Risk Register developed and reviewed monthly with CMT – no red items Cyber Risk Escalation Matrix and Cyber Incident Response Plan both completed Updates to awareness and security has led to improved LGA Cybersecurity Stocktake rating (now Green-Amber from Amber-Red)

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					<ul style="list-style-type: none"> External (LGA) consultant review has confirmed that appropriate configurations and actions are in place to minimise the risk as far as is practical Future use of 'cloud' services included in ICT Service Strategy, which will improve resilience Ongoing monitoring and advice to staff to ensure security is maintained while alternative working methods are in operation during coronavirus crisis Lessons learned from attacks on other Councils being considered in conjunction with BCP
15	3 ↕	Local Authority Trading Companies <ul style="list-style-type: none"> Lack of technical knowledge in the Council in respect of the establishment and operation of arms-length companies Lack of land / funds – Council position has worsened since original business case in 2016 Companies could be poorly managed Additional legal and operational requirements Companies fail to deliver required services, income or cost savings Substantial external borrowing may be required by the Council Council liable for trading company debt Government / CIPFA concerns over level of Local Authority borrowing / purposes No appointed Directors or key personnel 	There are risks to the Council from the establishment of arms-length trading companies in order to provide key services and/or to increase income streams / reduce costs	Responsibility: KR <ul style="list-style-type: none"> Services are not provided Lack of Council control Financial loss Non-repayment of loans Reputational damage Failure to meet additional legal requirements (e.g. Companies Act) Companies eventually wound down, leading to additional costs (e.g. redundancy) Rise in PWLB interest rates in 2019 Further CIPFA requirements to prevent borrowing in advance of need No persons identified to carry out work of Company Consultant costs 	<ul style="list-style-type: none"> External advice obtained from other Councils / consultants regarding business cases Specialist advice obtained e.g. regarding legal issues Local Property Company currently dormant but business case and risks to be updated for consideration by Members in 2021 – consultant review in progress Director in place pending 2021 decision Formal agreements to be put in place for trading companies, including financing, involvement of officers / members as Directors, etc. Constitution changes made in respect of monitoring and reporting to the Council

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
16	12 ↕	Corporate Stock Compliance Issues <ul style="list-style-type: none"> Lack of knowledge / management oversight of compliance issues Inadequate Council monitoring systems Lack of technically competent staff to complete checks Ongoing restructure and recent staff losses Compliance requirements differ across various areas of the Council 	There are risks to the Council, its staff and its residents where key compliance checks have not been satisfactorily completed for social housing, corporate buildings, etc. and any issues addressed (e.g. fire, water, gas, etc.)	Responsibility: SKa / NS <ul style="list-style-type: none"> Death or injury to staff or residents Destruction / damage to corporate premises / housing stock Regulatory censure / intervention Corporate manslaughter prosecution Reputational damage Additional costs 	<ul style="list-style-type: none"> Different senior management now responsible under new structure External consultant review undertaken and issues identified Action plan agreed with Regulator of Social Housing Data sources identified and new software obtained Existing data identified and loaded Diligence checking of contractors to ensure data passed to them is in line with GDPR requirements Housing stock – Health & Safety Improvement Plan January-November 2019 being progressed and resulted reported to Regulator. Program of work being undertaken by competent staff / contractors to complete missing or out-of-date compliance checks and undertake remedial actions Regulator provided with regular monthly updates and Council is working to agree a voluntary undertaking. Due for completion in 2021
17	8 ↓	Elections <ul style="list-style-type: none"> Changing electoral registration practices Possible repeal of Fixed Term Parliament Act by new government Potential future changes to voting processes being piloted in the UK Disenfranchisement of voters Challenge to election results Electoral fraud 	There are risks to the Council and its staff when acting on behalf of the Government / Electoral Commission in the conduct of elections / referenda	Responsibility: JF <ul style="list-style-type: none"> Legal action against Returning Officer Reputational loss Election petition or judicial review Community unrest Increase in frequency of elections / referendums 	<ul style="list-style-type: none"> Detailed planning performed for elections Electoral Commission regulatory issues and guidance reviewed Detailed risk register maintained Annual canvass progressed to update Electoral Roll Experienced staff used where possible Training provided to polling and count staff

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Lack of preparation for unscheduled events - 'snap' General Election / 2nd EU Referendum Increased burden for multiple Neighbourhood Plan referenda Insufficient and/or inexperienced elections staff available for poll / count Social distancing requirements for elections 		<ul style="list-style-type: none"> Short notice leading to unavailability of polling stations / lack of polling or count staff Additional Covid requirements for elections to allow them to be held 	<ul style="list-style-type: none"> Established processes for e.g. postal voting Robust count and verification procedures established Liaison with other relevant authorities where voting regions overlap (e.g. Parliamentary elections) or where results are regional rather than local Polling station review progressed after the May 2019 elections Warnings of possible future election dates provided to staff by Returning Officer Impact of coronavirus crisis on elections (e.g. staff and venues) assessed allowing 2021 elections to take place Early commencement of planning for future elections in light of pandemic
18	2 ↕	Brexit Implications <ul style="list-style-type: none"> Significant revision of legislation to take place Uncertainty over future EU funding available Impact on availability / costs of consumer items is not known Changes to procurement regulations Potentially lengthy process to establish trade deals after Brexit Impact of EU Nationals not applying for Settled Status by 30 June 2021 deadline 	Following Article 50 being triggered the UK has now left the EU on 31 January 2020 (after an extended transition period), although there could still be an impact locally, on the UK, the EU and globally	Responsibility: CMT <ul style="list-style-type: none"> Legislative changes may impact Council services and operations Possible legal issues regarding data flows outside of the UK Increased costs Negative impact on tourism Changes required to Council processes and documentation Lack of funding for projects e.g. infrastructure, regeneration Still possibility of customs issues / documentation requirements affecting supply chain Lack of consumer items leading to panic buying / stockpiling 	<ul style="list-style-type: none"> Council monitored progress towards leaving / advice from Government (e.g. on 'no deal' preparation) and risk assessments in place Council monitored advice from appropriate other sources e.g. LGA, CIPFA, etc. and any reports/initiatives obtained from e.g. other councils European Union (Withdrawal) Act 2018 provided stopgap incorporation of old EU laws New Prime Minister and Cabinet in place from 24 July 2019 with publicised commitments to meet 31 October deadline and protect the rights of resident EU citizens Settled status deadline publicised by Council

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
				<ul style="list-style-type: none"> Lack of medicine leading to increased burdens on NHS and partners Additional enquiries to Council staff Changes to benefits regime Loss of 'key' workers in some sectors Issues with elections / Electoral Roll Potential increase in homelessness Impact on local businesses and employment particularly health, care and agriculture for those without Settled Status 	
19	12 ↕	Climate Change <ul style="list-style-type: none"> Ongoing 'global warming', leading to higher sea levels and potential future flooding in coastal areas, increase in extreme climate conditions globally, etc. Current lack of understanding, resource and commitment to achieving climate change goals Slow take-up of energy saving measures e.g. green / renewable tariffs, smart meters, etc. Inadequate level of sustainability required in proposed / approved developments Slow development of Government-led policies, for home and energy standards, etc. Slow take-up of electric, hybrid and low-emission vehicles – lack of accessible charging points 	<p>Along with many others, the Council has declared an 'environmental and climate change emergency'</p> <p>Aim to make the activities of the Council carbon neutral by 2030</p>	Responsibility: PD <ul style="list-style-type: none"> Increased risk of local flooding No reduction / increase in carbon emissions Poor energy, water, etc. efficiency and increasing strain on infrastructure Increasing air, water, etc. pollution Adverse health issues for residents e.g. asthma Increased build costs for developers Continued poor vehicle emissions Reputational damage / poor publicity 	<ul style="list-style-type: none"> Increased national awareness and drive for change Government manifesto promises and global input (e.g. COP26) Member desire to progress climate change agenda Council monitoring and implementing changes to Government standards (e.g. Future Homes) Options for developing planning policy guidance and Supplementary Planning Documents (SPD) aimed at improving the sustainability of developments compared to the current position to be progressed and action plan to be produced 'Carbon neutral' district aim to be progressed Liaison with water agencies on local water quality (Blue Flag beaches)

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					<ul style="list-style-type: none"> • Liaison with Sussex Air Quality Partnership • Climate Change & Sustainability Manager now appointed – Climate Change strategy and action plan to be agreed and progressed • Carbon Reduction Strategy agreed by CPPC in October 2021 • Liaising on provision of suitable vehicle charging points for the future • Liaison with partners / advice to residents on energy saving, reduction in carbon emission, wellbeing, etc. • Providing support for other national / local initiatives e.g. waste recycling, removal of single-use plastics, etc. • Initiatives on hold due to coronavirus crisis
20	12 ↓	Coronavirus Pandemic <ul style="list-style-type: none"> • Unavailability of staff • Inability to provide key Council services • Unavailability of Council buildings and infrastructure • Inability to hold Council meetings • Loss of key Council revenue • Additional Council expenditure • Key partners are unable to provide services to the Council • Key partners require financial support • Financial hardship for residents and business • Significant health impact on residents 	The global coronavirus pandemic hit the UK in March 2020 and the Council has progressed in line with national guidelines issued by the UK Government	Responsibility: CMT <ul style="list-style-type: none"> • Council's required operations cannot be conducted • Significant staff health and welfare issues • Strain on IT infrastructure • New methods of working implemented at short notice • Unable to take key decisions / hold Council meetings • Severe drain on Council reserves • Significant impact on local healthcare provision • Loss of life • Loss of local businesses • Longer term changes to methods of working 	<ul style="list-style-type: none"> • Council monitoring and implementing current Government advice • Council liaising with external agencies and engaging in community initiatives, etc. • Staff working from home wherever possible with meetings held by conference calls, (Teams, Zoom) etc. • Self-isolation, social distancing and sickness reporting requirements advised to staff • Support and wellbeing services offered to staff • IT infrastructure stress-tested and changes made to allow significant numbers to work from home – some shift patterns implemented to ease load

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
		<ul style="list-style-type: none"> Restrictions extend for longer than initially hoped – further delays in 2021 Multiple, complicated business support schemes from Government for Council to administer 		<ul style="list-style-type: none"> Council office space remains unused Significant staff resource required to administer grants, etc. with impact on normal work Schemes are confusing to both businesses and staff administering them 	<ul style="list-style-type: none"> Additional IT equipment procured and distributed Service business continuity plans implemented Council services provided remotely where possible and / or prioritised Members updated frequently by corporate management Emergency decisions recorded and reported to Members Decisions on financial support for key partners taken by Members Legislation changed and 'virtual' / remote public meetings (of Full Council, Cabinet and Committees) held and live streamed from May 2021 Physical meetings have now recommenced from July 2021, but with restrictions on attendance and social distancing Regular emergency management team meetings held and staff updated Website regularly updated with messages to public Legal implications of loss of income to key partners being explored (e.g. leisure, housing) - significant central government funding received by Council for Covid support (including New Burdens funding) Government support funding provided to the Council for distribution e.g. to businesses – Revenues distributing mandatory grants to business ratepayers and Economy Group distributing discretionary grants Local decisions on provision of Council services, payments to suppliers and hardship support for residents

ARUN DISTRICT COUNCIL – STRATEGIC RISK REGISTER 2021/22

No	Rating	Vulnerability	Trigger	Consequence	Current Controls / Mitigating Actions
					<ul style="list-style-type: none"> • Liaison with local partners in respect of accommodating homeless / rough sleepers • Liaison with local partners in respect of non-essential retail and leisure and hospitality re-opening • Recovery teams progressing how Council offices can re-open to staff and the public while maintaining social distancing – but require H&S risk assessments and impacted by further lockdowns / delays in 2021 • Council's Response to the Covid-19 Pandemic Situation (including lessons learnt and consideration of the future) reported by CEO to Members • Member Covid-19 Working Party set up • 'Future ways of working' project being progressed and consulting with staff

⬆ - risk score increased

⬇ - risk score reduced

↔ - no change

ARUN DISTRICT COUNCIL

REPORT TO AND DECISION OF AUDIT & GOVERNANCE COMMITTEE ON 16 NOVEMBER 2021

REPORT

SUBJECT: Progress Against the Audit Plan

REPORT AUTHOR: Stephen Pearse, Internal Audit Manager DATE: October 2021 EXTN: 37561 AREA: Corporate Support

EXECUTIVE SUMMARY:

Each year Internal Audit undertakes its work against an annual audit plan, as approved by the Audit & Governance Committee prior to the start of the financial year

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

RECOMMENDATIONS:

There are no recommendations to the Audit & Governance Committee. This is an information report only

1. BACKGROUND:

An outline Audit Plan was presented to the Committee at its February 2021 meeting reflecting the resource available at that time and a revised Plan presented at the July 2021 meeting reflecting the current reduction in resource available.

The attached report identifies the main areas of work undertaken by the Internal Audit section to October 2021.

2. PROPOSAL(S):

There are no recommendations to the Audit & Governance Committee. This is an information report only

3. OPTIONS:

N/A

4. CONSULTATION:

Has consultation been undertaken with:	YES	NO
Relevant Town/Parish Council		✓

Relevant District Ward Councillors		✓
Other groups/persons (please specify)		✓
5. ARE THERE ANY IMPLICATIONS IN RELATION TO THE FOLLOWING COUNCIL POLICIES: (Explain in more detail at 6 below)	YES	NO
Financial		✓
Legal		✓
Human Rights/Equality Impact Assessment		✓
Community Safety including Section 17 of Crime & Disorder Act		✓
Sustainability		✓
Asset Management/Property/Land		✓
Technology		✓
Other (please explain)		✓
6. IMPLICATIONS:		

7. REASON FOR THE DECISION: For the Audit & Governance Committee to receive the report on progress made against the revised outline Audit Plan
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8. BACKGROUND PAPERS: N/A

Audit Progress

At the Audit & Governance Committee meeting in February 2021 the Committee agreed an outline plan for the section for 2021/22, but due to a reduction in current resource available a revised plan was provided in July 2021.

As advised to the Committee previously, the global Covid-19 crisis caused a significant impact on the Council and its operations (through 2020 and into 2021). Work has been undertaken in the following areas:-

<u>Code</u>	<u>Title</u>	<u>Work performed</u>
RE03	Main Accounting	<ul style="list-style-type: none"> Annual key controls testing has been completed Update of CIPFA Financial Management Code compliance self-assessment Investigation of options for future provision of external audit services (for Interim Financial Services Manager)
RE04	Purchase Ledger	<ul style="list-style-type: none"> Annual key controls testing is in progress
RE08	Payroll	<ul style="list-style-type: none"> Annual key controls testing in progress Monthly joiner and leaver checking progressed (and 2020 work caught up) Checking of redundancy calculations, as required
CS1	Housing Benefit	<ul style="list-style-type: none"> Review of E&Y results from Housing Benefit Subsidy Claim certification work and preparing summary report for A&GC (July 2021)
CS17	Council Tax	<ul style="list-style-type: none"> Annual key controls testing is in progress
CS18	NDR	<ul style="list-style-type: none"> Annual key controls testing is in progress Liaison with Revenues and review of Government, NFI, NAFN, etc. communications on Covid-19 Business Support Grants (mandatory schemes all now closed) Liaison with Revenues and conducting post-payment assurance checks on claims / payments made to meet BEIS requirements Monitoring weekly grant payments made and advising Finance to ensure grant scheme payments are appropriately recorded in the G/L Provision of documentation to BEIS in respect of their sample testing request, in conjunction with Revenues. (Mandatory grants for March-July 2020 were paid through the Northgate system) Reconciliation of multiple grant schemes in liaison with Revenues and Finance and notification to BEIS

		<ul style="list-style-type: none"> Review of data matches on March-July 2020 grants received from the National Fraud Initiative
CS19	Income: Sundry Debtors	<ul style="list-style-type: none"> Annual key controls testing completed
CS12	Information Technology	<ul style="list-style-type: none"> Liaison with ICT staff in respect of Council cybersecurity risk assessment and security measures Liaison with ICT staff on lessons from ransomware attacks at other Councils Liaison with ICT staff on revisions to relevant pages for the new website
CS13	Information Technology – Physical Security & Disaster Recovery	<ul style="list-style-type: none"> Liaison with Neighbourhood Services staff regarding the progress of Council Business Continuity Planning (BCP) arrangements and documentation
CP02	Information & Data Governance	<ul style="list-style-type: none"> Ongoing liaison with Information Governance staff regarding future work on data protection Chairing periodic meetings of the Information Security Group
PR07	FMS Support / Replacement	<ul style="list-style-type: none"> Liaison with Finance and ICT on progress of FMS upgrade and hosting
PR09	Digital Arun Project	<ul style="list-style-type: none"> Ongoing liaison on progress of the Council's digital strategy
PR12	Covid-19 Work	<ul style="list-style-type: none"> Ongoing liaison / miscellaneous activities relating to Council operations and controls in light of Covid-19 crisis in 2020-21 Assisting Finance in preparing submissions for central government (MHCLG and BEIS) Risk assessments and post-payment assurance test plans prepared for Covid grants distributed, as required by the BEIS Post-payment assurance testing on documentation held in support of grant payments, etc. Reconciliation of closed grant schemes between Ascendant system and G/L and reporting to BEIS and Finance Submission of business support grants (March-July 2020) data to HMRC to meet Statutory Notice requirements Review of BEIS documentation, attending webstreams, etc. to ensure that Council understands and complies with requirements on the multiple grant schemes (e.g. eligibility, checking, reporting and reconciliation requirements). This has become increasingly complex with the speed of change involving different schemes for national lockdowns, Tiers, targeted payments, etc. Chief Internal Auditor / Chief Executive declaration for Restart Grants for submission to BEIS
CP03 MS01	Corporate Governance Annual Governance Statement	<ul style="list-style-type: none"> Annual review of compliance against the Council's local Code of Corporate Governance Preparation of the updated Annual Governance Statement and review by CMT

		<ul style="list-style-type: none"> Draft AGS published on website with draft Accounts and provided to external audit – Final AGS to be published with the audited Accounts Reviewed by G&R Group and CMT 6/21 Reported to A&GC 29/7/21 (draft)
MS03	RIPA	<ul style="list-style-type: none"> Advice provided to service areas in respect of queries concerning possible use of surveillance, whether this would fall within the scope of the RIPA legislation and other options available
MS04	NFI	<ul style="list-style-type: none"> The NFI Council Tax Single Person Discount reports were received in December 2020. Review of these has been progressed on a sample basis (using a new risk score added by the Cabinet Office) and queries referred to Revenues Reports for the main 2-yearly NFI exercise were received in February and review has been progressed Reports for the Covid-19 grant schemes (March-July 2020) received and reviewed
CP04	Risk Management	<ul style="list-style-type: none"> Update of Strategic Risk Register via Governance & Risk Group in 10/21 for the A&GC in November
IN02 CP05	Fraud & Corruption Fraud & Corruption	<ul style="list-style-type: none"> Compilation of data for publication to meet Government Data Transparency Code requirements Preparation of Annual Counter-Fraud Report Reported to A&GC 29/7/21 Submission of annual CIPFA Fraud & Corruption Tracker survey Consideration of various CIPFA and NAFN communications on increased fraud risks during the pandemic period Review / update of Council's fraud operational risk register Preparation of risk of fraud (ISA240) letters for external audit
PL03	Strategic Housing	<ul style="list-style-type: none"> Review of old business case and documentation for Trisanto – input to requirements provided to consultants for external review as requested by the Director of Place

PL06	Economic Regeneration	<ul style="list-style-type: none"> • Liaison regarding administration of Covid-19 Discretionary Grant Fund / fraud checking (first lockdown) • Liaison regarding adoption and administration of County-wide scheme for Additional Restrictions Grant (discretionary scheme runs until March 2022), which now allows use for 'wider business support' schemes which have been approved by the Economic Committee • Monitoring weekly grant payments made and advising Finance to ensure grant scheme payments are appropriately recorded in the G/L • Provision of documentation to BEIS in respect of their sample testing request, in conjunction with Economy Group • Consideration of reports / updates on regeneration projects, tourism, etc.
CP09	Environmental / Green issues	<ul style="list-style-type: none"> • Review of external guidance on green agenda and Council progress towards its priority aims
CP10	Resource Management	<ul style="list-style-type: none"> • Identification of agency and contract staff, including agencies / companies used and rates, in liaison with HR
CP13	Grants & External Funding	<ul style="list-style-type: none"> • Testing to ensure that grant conditions have been met where sign-off from Chief Internal Auditor and Chief Executive required (e.g. Test & Trace Self-Isolation Support Payments) • Review of query regarding subsidies on the Council's Levelling-Up Fund bid (for Director of Place)
CS03	Housing Finance	<ul style="list-style-type: none"> • Annual key controls testing to be progressed
MS06	Follow-Up Review	<ul style="list-style-type: none"> • Liaison with service areas in respect of actions on outstanding audit points
LI02	Member Liaison / Committees	<ul style="list-style-type: none"> • Consideration of information in respect of change to 'committee system' of governance from May 2021 and its operation post-May • Consideration of changes to A&GC future workplan
TP02	Officer Group Representation	<ul style="list-style-type: none"> • Chairing meetings of the Information Security Group and liaison with members on progress
AD02	Business Planning	<ul style="list-style-type: none"> • Investigation of options for the future provision of an internal audit service for consideration by CMT. Information obtained from Hampshire CC Procurement and potential service providers

AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2021/2022

Date of Meeting: 7 October 2021			
Other Items			
1	Petitions Policy – review of the Council's handling of the Petition Relating to Development in Pagham	Monitoring Officer	Referred to A&GC under section 7 of the Council's Petition Scheme

Date of Meeting: 16 November 2021			
External Audit			
1	Audit Fees 2019/20 Update	Internal Audit Manager	Further to the letter sent to PSAA Ltd as requested at the July meeting of the Committee
2	Arrangements for Appointment of External Auditor	Interim Financial Services Manager	Recommendations for approval by Full Council (12 January 2022)
Treasury Management			
3	Treasury Management Mid-Year Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (12 January 2022)
Internal Audit			
4	Progress Against The Audit Plan	Internal Audit Manager	
Governance Framework			
5	Updated Risk Management Policy Statement and Strategy	Internal Audit Manager	
6	Updated Strategic Risk Register 2021/22	Internal Audit Manager	
Other Items			
7	Update on progress on the Partnerships Register	Group Head of Policy	
Work Programme			
8	To note the rolling work programme for 2021/22	Internal Audit Manager	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2021/2022**

Date of Meeting: 17 January 2022 (Special Meeting)			
Statement of Accounts			
Agenda Items	Subject	Lead Officer / Member	Comments
1	Final Statement of Accounts 2020/21	Financial Services Manager	
2	Final Annual Governance Statement	Internal Audit Manager	
External Audit			
3	Audit Results Report – ISA 260	Ernst & Young	
4	Auditor's Annual Report	Ernst & Young	
Work Programme			
5	To note the rolling work programme for 2022/23	Internal Audit Manager	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2021/2022**

Date of Meeting: 22 February 2022			
Statement of Accounts			
Agenda Items	Subject	Lead Officer / Member	Comments
1	Accounting Policies for 2021/22 Accounts	Financial Services Manager	If CIPFA advise of any changed requirements, then an update will be provided at the July meeting
External Audit			
2	Audit Planning Report	Ernst & Young	TBC - Covering the audit of the 2021/22 Accounts
Treasury Management			
3	Treasury Management Strategy Statement and Annual Investment Strategy	Senior Accountant (Treasury Management)	For approval by Full Council (9 March 2022)
Internal Audit			
4	Annual Internal Audit Plan	Internal Audit Manager	
5	Progress Against The Audit Plan	Internal Audit Manager	
Other Items			
6	Feedback & Complaints Policy	Group Head of Law & Governance	
7	Progress update on housing tenancy fraud	Neighbourhood Services Manager	Requested by the Committee at its July 2021 meeting
Work Programme			
8	To agree the rolling work programme for 2022/23	Internal Audit Manager	

February meeting has to be timed so that Treasury Management Strategy can be approved by Full Council before 31 March each year

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2021/2022**

Date of Meeting: xx July 2022 (TBC)			
Statement of Accounts			
Agenda Items	Subject	Lead Officer / Member	Comments
1	Draft Annual Governance Statement	Internal Audit Manager	Draft version to be considered by Committee (final version will be presented with the Annual Accounts)
External Audit			
2	Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chair	Letter agreed with the Chair and sent to external audit in April
3	Audit Planning Report	Ernst & Young	TBC Covering the audit of the 2021/22 Accounts
Governance Framework			
4	Local Code of Corporate Governance	Internal Audit Manager	
Treasury Management			
5	Treasury Management Annual Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (xx September 2021 - TBC)
Internal Audit			
6	Annual Internal Audit Report & Opinion	Internal Audit Manager	
7	Progress Against The Audit Plan	Internal Audit Manager	
Other Items			
8	Annual Counter-Fraud Report	Internal Audit Manager	
9	Chair's Annual Report To Council	Committee Chair	To be presented to Full Council
10	Annual update on use of RIPA powers in the previous Municipal Year	Internal Audit Manager	
11	Annual update on housing tenancy fraud	Neighbourhood Services Manager	Requested by the Committee at its July 2021 meeting

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2021/2022**

Work Programme			
12	To agree the rolling work programme for 2022/2023	Internal Audit Manager	Updates, etc.

Other items to be considered in Work Programme:-

Independent Members' Remuneration Panel

- Recruitment / appointments
- Proposals for / progress of review
- Report on review / proposals for change to be passed by A&GC to Full Council

(An interim review was conducted in 2020 with recommendations due at Full Council in January 2021, with a full review due in 2023)

Governance & Risk Group updates

Relevant policy reviews, updates, etc.

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