



Public Document Pack

Arun District Council
Civic Centre
Maltravers Road
Littlehampton
West Sussex
BN17 5LF

Tel: (01903 737500)
Fax: (01903) 730442
DX: 57406 Littlehampton
Minicom: 01903 732765

e-mail: committees@arun.gov.uk

Committee Manager Helen Burt (Ext. 37614)

21 November 2022

AUDIT & GOVERNANCE COMMITTEE

A meeting of the Audit & Governance Committee will be held in **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** on **Tuesday 29 November 2022 at 10.00 am** and you are requested to attend.

Members: Councillors Clayden (Chair), Chapman (Vice-Chair), Bennett, Brooks, Chace, Goodheart, Oliver-Redgate, Oppler, Stanley, Tilbrook and Wallsgrove

PLEASE NOTE: Where public meetings are being held at the Arun Civic Centre, to best manage safe space available, members of the public are encouraged to watch the meeting online via the Council's [Committee webpages](#).

1. Where a member of the public wishes to attend the meeting or 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, but of course can attend the meeting in person.
2. We request members of the public do not attend any face to face meeting if they 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, 21 November 2022** in line with current Committee Meeting Procedure Rules.

It will be at the Chief Executive's/Chair's discretion if any questions received after this deadline are considered.

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 declaration 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 items 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 29 September 2022.

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. INTERNAL AUDIT PROGRESS REPORT

(Pages 5 - 16)

The report outlines the progress of the Council's Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2022.

[10 Minutes]

7. RISK MANAGEMENT FRAMEWORK (Pages 17 - 44)

The Council's existing Risk Management Policy Statement and Strategy has been reviewed and as a result a new Risk Management Framework has been developed.

It is recommended that the Risk Management Framework is adopted by the Audit and Governance Committee to enable a full review of the risks faced by the Council in achieving the objectives outlined in the Council's Vision 2022- 2026.

[20 Minutes]

8. CORPORATE RISK REGISTER (Pages 45 - 76)

A new Risk Management Framework was recommended for adoption at Audit and Governance Committee on 29 November 2022.

The framework has been used to review the strategic risks faced by the Council formulating in a new Corporate Risk Register.

It is recommended that the new Corporate Risk Register is adopted by the Audit and Governance Committee.

[20 Minutes]

9. TREASURY MANAGEMENT - MID-YEAR REVIEW REPORT 2022/23 (Pages 77 - 100)

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 30 September 2022. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

[20 Minutes]

10. WORK PROGRAMME (Pages 101 - 104)

The Committee is required to note the Work Programme for 2022/23.

[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](#)

Agenda Item 3

Subject to approval at the next Audit & Governance Committee meeting

201

29 September 2022 at 10.00 am

Present: Councillors Clayden (Chair), Chapman (Vice-Chair), Brooks, Chace, Oliver-Redgate and Oppler

[Note: Councillor Oliver-Redgate was absent from the meeting for all or part of discussions at Minute Items 309 – 315]

309. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Goodheart and Staniforth.

310. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

311. MINUTES

The Minutes of the meeting held on 28 July 2022 were approved by the Committee. These would be signed at the end of the meeting.

312. 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

The Chair confirmed that there were no urgent matters for this meeting.

313. PUBLIC QUESTION TIME

The Chair confirmed that no questions had been submitted for this meeting.

314. INTERNAL AUDIT PROGRESS SEPTEMBER 2022

The Chair welcomed Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), who then presented the progress report to the Committee. She explained that work was progressing well, there had been a mid-year review of the plan with the Corporate Management Team, and the changes made were set out in section 8 of the document. SIAP were satisfied that the audit schedule for the year would enable an annual assurance statement to be provided.

Audit & Governance Committee - 29.09.22

There were no questions from Members.

The Committee noted the report.

315. FEEDBACK AND COMPLAINTS POLICY - UPDATE

Upon the invitation of the Chair, the Group Head of Law and Governance presented the report to the Committee. He explained that as a result of a complaint that went through the Council's internal complaints process and then to the Housing Ombudsman, various recommendations had been made by the Housing Ombudsman, a number of which related to the policy itself and changes required to it. Some of the recommended changes were as a result of new guidance regarding the updated Complaints Handling Code to be published by the Housing Ombudsman in October. The changes were set out at Appendix 3 in the table. The existing and update policies were also attached to the report. The Group Head of Law and Governance went on to say that he would not go into the details of the complaint as this contained personal information regarding the tenant involved, however, it was felt these changes needed to be made as a result of the outcome of the complaint, and also in order to comply with the revised Complaints Handling Code.

The Chair explained to Members that this was an update that the Committee were obliged to agree at the request of the Housing Ombudsman. He then invited questions from Members.

One Member stated that the Housing Ombudsman ruled against the Council and in favour of the complainant, and an explanation of what led to the Officer failings, what the failings were and why they occurred was requested. It was stated that this should be made public. The Group Head of Law and Governance explained that reviewing the complaint was not in the remit of the Audit & Governance Committee but could be a matter for the Housing and Wellbeing Committee to look at. The Member stated that he did not feel the issue was with Housing, but instead with how the complaint had been dealt with by the legal department, which it was agreed would be a matter for Corporate Support to review. The Group Head of Law and Governance confirmed that he would take this matter to the attention of the Lead Officers and Chair of Corporate Support Committee with a view to this being added to the Work Programme for that Committee.

A typing error in the policy was pointed out, this was on Page 33 of the agenda pack in the bullet points, which contained the word 'your' instead of 'you are'.

There was then a discussion regarding the suggested wording on page 7 of the policy at the second to last paragraph, and it was asked why the wording was being changed from 'All complaints relating to Landlord/Tenant social landlord services will **follow** the Housing Ombudsman Complaint Handling Code.' to 'All complaints relating to Landlord/Tenant social landlord services will **have regard to** the Housing Ombudsman Complaint Handling Code'. The Group Head of Law and Governance explained that this reflected the usual legal language that should be used in such a policy.

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

The Committee

RESOLVED

That the Audit & Governance Committee adopts the revised Feedback and Complaints Policy as set out in Appendix 1 of the report.

316. WORK PROGRAMME

Upon the invitation of the Chair, the Internal Audit Manager presented the Work Programme to the Committee. He explained there was a change to this, which was that the review by Southern Internal Audit Partnership of the Audit Charter would be presented in February 2023, along with the next Annual Audit Plan. It was explained that the Work Programme was a living document and was subject to change.

It was asked if new items could be added if required to reflect financial events that may occur, which the Internal Audit Manager confirmed could happen.

The Chair reminded Members that there was a virtual Member Briefing regarding Treasury on Monday 3 October 2022, and highly recommended that Members attended this.

The Work Programme was noted.

(The meeting concluded at 10.21 am)

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Arun District Council

REPORT TO:	Audit and Governance Committee – 29 November 2022
SUBJECT:	Progress Against the Audit Plan
LEAD OFFICER:	Carolyn Martlew, Interim Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor Mike Clayden
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
The Council's budget promotes all of the Council's Corporate Priorities.	
DIRECTORATE POLICY CONTEXT:	
The Council's Internal Audit Service has an effect on all Directorates of the Council.	
FINANCIAL SUMMARY:	
There are no direct financial implications arising from the report. Provision of a sound Internal Audit Service should result in effective financial control and guard against theft and fraud.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is to inform Members of progress by the Council's Internal Audit service against the plan approved by the Committee on 28 July 2022.

2. RECOMMENDATIONS

1.2. The Committee is recommended to review and note the appended report from SIAP.

2. EXECUTIVE SUMMARY

2.1. The report outlines the progress of the Council's Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2022.

3. DETAIL

3.1. The Committee approved its Internal Audit Plan for 2022/23 at its meeting of 28 July 2022. It is good practice that those charged with governance review the progress of the Internal Auditor against the approved plan.

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- 3.2. The attached report from the Council's Internal Audit provider, Southern Internal Audit Partnership (SIAP) provides an update covering April 2022 to October 2022.

4. CONSULTATION

- 4.1. No consultation has been undertaken with external bodies.

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. No other options are available.

6. COMMENTS BY THE GROUP HEAD OF CORPORATE SUPPORT/SECTION 151 OFFICER

- 6.1. A fit for purpose, monitored Internal Audit system enhances financial control and reduces the risk of theft and fraud for the Council.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. The main risks arising from the process are:
- Issues raised by Internal Audit are not appropriately actioned by managers. This could result in weak systems control, increasing the risk of theft and fraud. Regular reporting and monitoring reduces the risk;
 - The other risk is slippage of the approved Audit programme. This would mean the approved programme is not delivered and resources not directed as planned. Regular reporting and monitoring reduces the risk.

Processes in place and financial controls mitigate against these risks.

8. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

- 8.1. A sound system of Internal Audit is one of the requirements of the Local Government Finance Act 1972.

9. HUMAN RESOURCES IMPACT

- 9.1. There are no impacts.

10. HEALTH & SAFETY IMPACT

- 10.1. There are no impacts.

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11. PROPERTY & ESTATES IMPACT

There are no impacts

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

12.1. There are no impacts.

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

13.1. There are no impacts.

14. CRIME AND DISORDER REDUCTION IMPACT

14.1. There are no impacts.

15. HUMAN RIGHTS IMPACT

15.1. There are no impacts.

16. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. There are no impacts.

CONTACT OFFICER:

Name: Carolin Martlew

Job Title: Interim Group Head of Finance and Section 151 Officer

Contact Number: 01903 737558

BACKGROUND DOCUMENTS:

[Annual Internal Audit Plan Report – Audit and Governance Committee 28 July 2022](#)

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

ARUN DISTRICT COUNCIL INTERNAL AUDIT PROGRESS REPORT OCTOBER 2022

Prepared by: Iona Bond, Senior Audit & Counter Fraud Manager

October 2022

1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

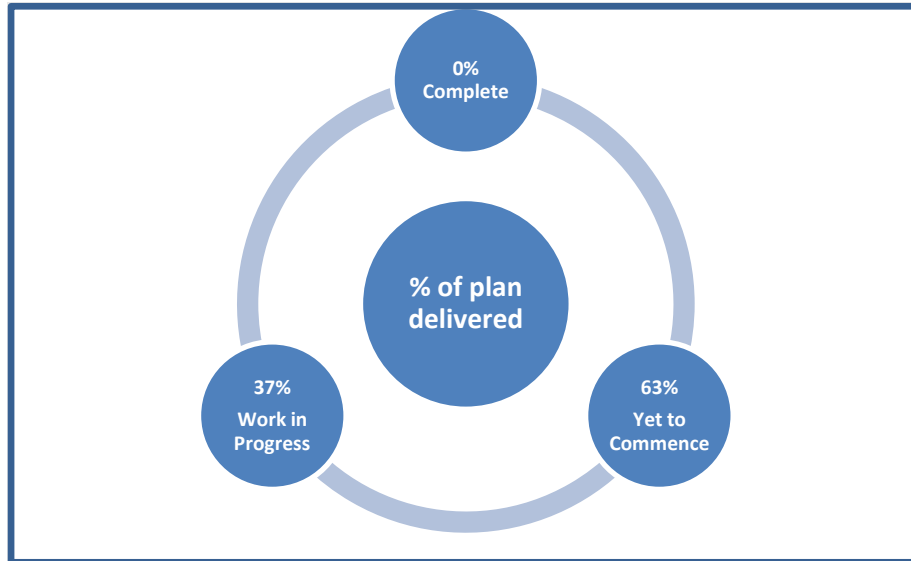
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	<i>A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.</i>
Reasonable	<i>There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.</i>
Limited	<i>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</i>
No	<i>Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.</i>

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An 'External Quality Assessment' of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of ‘Live’ audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Accepted	Not Yet Due	Complete	Overdue		
								L	M	H
No 2022/23 reports finalised										
Total								0	0	0

*Total number of actions (total number of high priority actions)

Audit Sponsor

CEX	Chief Executive	DoE&C	Director of Environment and Communities
DoG	Director of Growth		

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no reports published concluding a “Limited” or “No” assurance opinion to date for 2022/23.

6. Planning & Resourcing

The internal audit plan for 2022-23 was presented to the Corporate Management Team and the Audit & Governance Committee in July 2022.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. No further adjustments to the plan have been since our previous progress report presented to this Committee in September 2022. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Corporate Vision/Plan	CEX							Q4
Health and Safety (Corporate)	CEX	✓	✓	✓	✓			
BCP and Emergency Planning	DoE&C	✓						
Governance								
Risk Management	CEX							Q4
Procurement	CEX	✓	✓	✓				
Decision Making	CEX	✓	✓	✓				
Use of Agency Workers	CEX	✓	✓	✓				
Information Governance	CEX	✓	✓	✓				
IT								
Cyber Security	DoG	✓	✓	✓				
IT Asset Management	DoG	✓						
Finance								
Financial Resilience	CEX							Q4
Accounts Receivable & Debt Management	CEX	✓						
Treasury Management	CEX	✓						
Council Tax	CEX	✓	✓	✓				
Improving the Wellbeing of Arun								
Homelessness and Housing Advice	DoE&C							Q4
Supporting Our Environment to Support Us								
Climate Strategy	DoG	✓						
Cleansing Services	DoE&C							Q4
Programme and Project Management - Economic Regeneration	DoG							Q4
Miscellaneous								
Car Parks and Enforcement	DoG							Q4

8. Adjustments to the Internal Audit Plan

The following adjustments to the plan have been made.

Plan Variations	
Removed from the Plan	Reason
Transformation	Transformation Plan not yet in place. Will feature annually within plans from 2023/24.
Contract Management	Refuse Contract audit being covered this year, which will be used as assurance for this area.
Partnership Working	Internal administrative arrangements/framework being reviewed.
Savings Realisation	Savings Plan not yet in place. This will be developed, if required, following the completion of the transfer to zero based budgeting.
Leisure Facilities	No operational issues. Better covered in a future year as a contract management audit, following business recovery post pandemic.
Affordable Housing	Removed as a separate audit area as is better suited to inclusion as part of the Local Plan audit review.
Repairs and Maintenance (statutory H&S checks)	Housing Regulator assurance obtained.
Replacement Housing IT System	Areas for coverage have been identified and the timing for these falls within the 2023/24 plan.

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Arun District Council

REPORT TO:	Audit and Governance Committee 29 November 2022
SUBJECT:	Risk Management Framework
LEAD OFFICER:	James Hassett, Chief Executive Officer / Carolin Martlew, Interim Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor Mike Clayden
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
<p>The adoption of a new Risk Management Framework to govern and guide the Council's risk management approach. This will replace the Council's existing Risk Management Policy Statement and Strategy.</p> <p>The launch and application of the framework instigates a full review of the risks faced by the Council in achieving the objectives outlined in the Council's Vision 2022- 2026.</p>	
DIRECTORATE POLICY CONTEXT:	
<p>The Risk Management Framework is an overriding document that will be applied by each directorate in the assessment of risks.</p>	
FINANCIAL SUMMARY:	
<p>There are no direct financial considerations in the adoption of the framework.</p>	

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to recommend the adoption of the Risk Management Framework to govern and guide the Council's approach to risk management.

2. RECOMMENDATIONS

- 1.2. It is recommended that the Audit and Governance Committee adopts the Risk Management Framework as set out in Appendix 1 of this report and to authorise the Interim Group Head of Finance & Section 151 Officer to make minor amendments.

2. EXECUTIVE SUMMARY

- 2.1. The Council's existing Risk Management Policy Statement and Strategy has been reviewed and as a result a new Risk Management Framework has been developed.
- 2.2. It is recommended that the Risk Management Framework is adopted by the Audit and Governance Committee to enable a full review of the risks faced by the Council in achieving the objectives outlined in the Council's Vision 2022-2026.

3. DETAIL

- 3.1. The Council have identified new priorities as part of the Council's Vision 2022-2026 and are embarking on a range of new projects, some of which are on an unprecedented scale for the Council. This creates an opportune time to review the Council's risk management approach at a strategic and operational level.
- 3.2. The Council's existing Risk Management Policy and Strategy was first established in August 2010 and last reviewed and updated in October 2021. A review of the Policy and Strategy and the approach to risk management at the Council has been undertaken.
- 3.3. The review identified that risk management at the Council needs to be revitalised. Risk management needs to be relaunched so that it is embedded throughout the organisation, central to decision making, and integrated into business processes.
- 3.4. A new Risk Management Framework included as Appendix 1 to this report has been developed to achieve this. The framework is a risk management tool to govern and guide the Council's approach to risk management.
- 3.5. The framework includes the Council's risk management objectives and how these will be achieved. It defines the Council's Risk Appetite which is an imperative starting point for effective risk management.
- 3.6. Ownership and accountability of risks is clearly defined within the framework. Corporate risks will be owned by members of the Corporate Management Team who will be responsible and accountable for the effective management of those risks.
- 3.7. Reviewing and reporting requirements are prescribed within the framework, and the frequency of review is driven by the risk level. The Audit and Governance Committee will now receive quarterly reports on the Corporate Risk Register to allow more frequent scrutiny of risk management.
- 3.8. A requirement for the assessment of Gross and Net Risk Levels enables the analysis of the effectiveness of existing controls and the identification of further actions to reduce risk levels further.

- 3.9. The framework provides a benchmark for risk scoring, this will enable consistency across the Council when risk assessments are undertaken at a corporate and operational level.
- 3.10. The framework is supported by new risk register templates for the Corporate and Operational Risk Registers that have been designed to capture the requirements of the framework.
- 3.11. The Corporate Management Team have trialled the framework and a revised Corporate Risk Register has been prepared. This has enabled the practical application of the framework to ensure it is fit for purpose and user friendly. The revised Corporate Risk Register is subject to a separate Audit and Governance Committee report on 29 November 2022.
- 3.12. Subject to the adoption of the Risk Management Framework, steps will be taken to fully embed the risk management approach. Training and awareness are a critical element of this.
- 3.13. Initial training will be provided to the Senior Management Team by the Institute of Risk Management on 21st and 22nd November. The training will be tailored to the Council's risk management approach and captures the requirements of the framework.
- 3.14. Risk management is an ongoing process and the principles detailed in the Risk Management Framework support this.

4. CONSULTATION

- 4.1. There is no requirement for public consultation in relation to the Risk Management Framework, this is an internal risk management tool to govern and guide the approach to risk management at the Council.

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. Not applicable.

6. COMMENTS BY THE INTERIM GROUP HEAD OF FINANCE/ S151 OFFICER

- 6.1. There are no direct financial implications. However, the adoption of the new Risk Management Framework will assist in the effective management of financial risk.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. This report is about Risk Management and all the relevant considerations are contained in the report and Appendix 1.

8. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

8.1. There are no direct legal implications. However the adoption of a systematic approach to risk will help to identify and manage relevant legal risks.

9. HUMAN RESOURCES IMPACT

9.1. There are no direct Human Resources implications.

10. HEALTH & SAFETY IMPACT

10.1. There are no direct health and safety implications but the systematic approach to risk management will assist in identifying health and safety implications.

11. PROPERTY & ESTATES IMPACT

11.1. There are no direct Property and Estates implications.

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

12.1. There are no direct Equality implications but a systematic approach to risk will help identify equality impacts.

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

13.1. There are no direct Climate Change and Environmental implications. However a Systematic approach to risk management will help identify and manage regulatory risks.

14. CRIME AND DISORDER REDUCTION IMPACT

14.1. There are no direct crime and disorder implications. However a systematic approach to risk management will help identify and manage regulatory risks.

15. HUMAN RIGHTS IMPACT

15.1. There are no direct human rights implications. However a systematic approach to risk management will help identify and manage regulatory risks.

16. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. There are no direct crime and disorder implications. However a systematic approach to risk management will help identify and manage regulatory risks.

CONTACT OFFICER:

Name: Vicky Ashmore

Job Title: Finance and Risk Manager

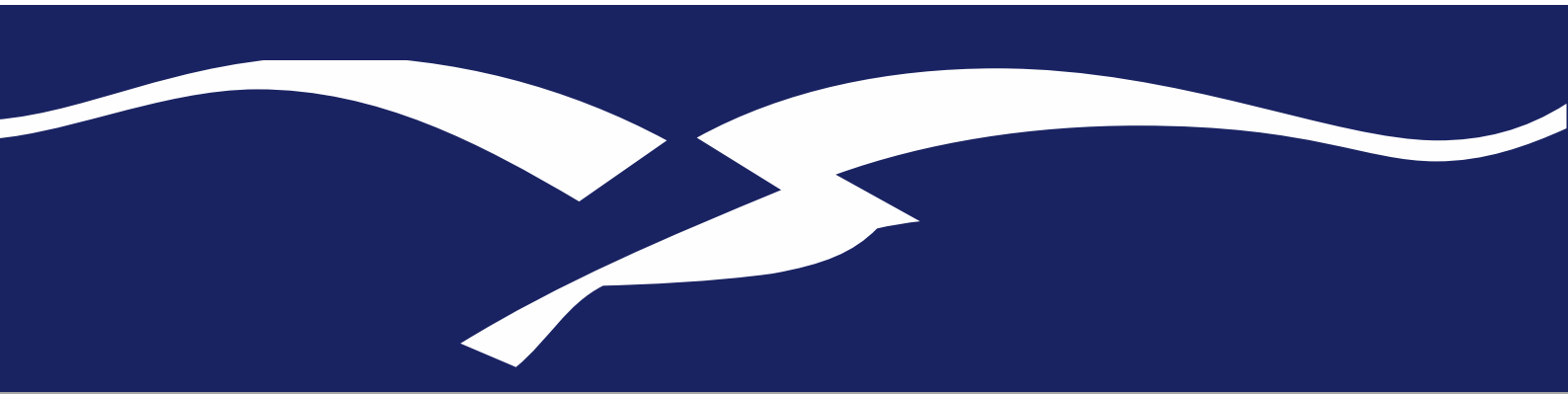
Contact Number: X37606

BACKGROUND DOCUMENTS:

Existing Risk Management Policy Statement and Strategy

[Microsoft Word - Risk Management Policy Statement- V7 \(arun.gov.uk\)](#)

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ARUN DISTRICT COUNCIL

RISK MANAGEMENT FRAMEWORK

Version 1

Version 1	May 2022
Version 2	
Version 3	
Version 4	

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Arun District Council

Risk Management Policy Statement

Context

Arun District Council is a complex organisation, providing a diverse range of services to its residents, customers, employees, partners, and visitors. It works with other public, private, and voluntary bodies to make the Arun district a better place for people to live, work and visit.

The council faces unprecedented challenges over the next few years in delivering its services. Funding challenges mean the Council will need to explore and develop an alternative model for local government. These challenges create significant risks and uncertainty; however, they can also create opportunities. The Council must manage the risks and opportunities associated with the delivery of its services and will endeavour to apply high standards of governance and to be efficient, effective, transparent, and accountable.

This strategy is focused on providing the risk management principles, tools, techniques, advice, and support for developing the organisation from where we are to where we need to be.

It is impossible to remove all risk, but effective practicable risk management will help to ensure that the Council has the correct level of control in place to provide sufficient protection from risks whilst maximising its opportunities. This will improve the Council's outcomes and its ability to deliver its priorities.

The Council's overriding attitude to risk is to drive a culture of creativity and innovation, in which all key risks are identified in all areas of the organisation. Risks must be understood and managed, not necessarily avoided. Risk management needs to be embedded throughout the organisation with established structures and processes to ensure Council activities identify, assess, and manage risks and opportunities.

Achievement of effective 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.

The Council's Risk Management Objectives

- Adopt a strategic approach to risk management to make better informed decisions which is critical to successful service delivery.
- Set the 'tone from the top' on the level of risk we are prepared to accept on our different service delivery activities and priorities.
- Acknowledge that despite effective risk management and our best-efforts things can still go wrong. If this occurs, it will be used to learn lessons and prevent it from happening again.
- Develop leadership capacity and skills in identifying, understanding, and managing the risks and opportunities facing the Council.
- Promote and integrate risk management into the culture of the organization, its business processes and service delivery. Sound risk management processes help us to achieve our core purpose, priorities, and outcomes.
- Support a culture of well-measured risk taking throughout the Council's business, including strategic, partnership, project and operational. This includes setting risk ownership and accountabilities and responding to risk in a balanced way considering the level of risk, reward, impact, and cost of control measures.
- Ensure that the Council continues to meet all statutory and best practice requirements in relation to risk management.
- Ensure risk management continues to be a key and effective element of our Corporate Governance arrangement.

How our objectives will be achieved

- Maintain a robust and consistent risk management approach that will:
 - Identify and effectively manage strategic, operational and project risks
 - Focus on key risks that because of their likelihood and impact make them a priority
- Ensure accountabilities, roles, and responsibilities for managing risks are clearly defined and communicated, having defined roles, responsibilities, and reporting lines within the Council for risk management.
- Consider risk as an integral part of business planning, service delivery, key decision-making processes and project and partnership governance.

- Communicate risk information effectively through a clear reporting framework.
- Increase understanding and expertise in risk management through targeted training and the sharing of good practice.

The Risk Management Framework will be reviewed at least annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council. Any amendments will be reported to the Audit and Governance Committee.

Risk Management Approach

1. Introduction

The purpose of the risk management approach outlined in this document is to:

- Provide standard definitions and language to underpin the risk management process.
- Ensure risks are identified and assessed consistently throughout the organisation.
- Clarify roles and responsibilities for managing risks.
- Implement an approach that meets current legislative requirements and follows best practice and relevant standards.

2. Definitions

Risk can be defined as “an uncertain event that should it occur, will have an effect on the Council’s objectives and/ or reputation.” It is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management generated opportunities can arise because of effectively managing risks, for example additional grant funding or improved working practices.

Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.” Effective management of risk processes will put the Council in a better position to safeguard against potential threats and exploit potential opportunities to improve services and provide better value for money.

Risk management is applied to all levels of service delivery and include:

- Corporate Strategic Risks: Risks that could influence the successful achievement of our long- term core purpose, priorities, and outcomes. These are:
 1. Risks that could potentially have a council-wide impact and/or
 2. Risks that cannot be managed solely at a Service Area level because higher level support or intervention is needed.
- Service Area Risks: Risks at a service area level that could influence the successful achievement of the group and service area outcomes/ objectives. Potentially these risks could have a significant financial, reputational and/ or service delivery impact on the whole service area.
- Contract Risks: Risks that could influence the successful achievement of the contract's outcome/ delivery of objectives, outcomes, and value for money. Contract risks are managed throughout the contracting process including contract management/ business as usual.
- Project Risks: Risks that could influence the successful achievement of the project's outcome/ service delivery objectives, benefits realisation, and engagement with key stakeholders (service users, third partners, partners etc).
- Partnership Risks: Risks that could influence the successful achievement of the partnership's outcomes/ objectives including engagement with key stakeholders. These can be strategic and operational depending on the size and purpose of the partnership.

3. Approach

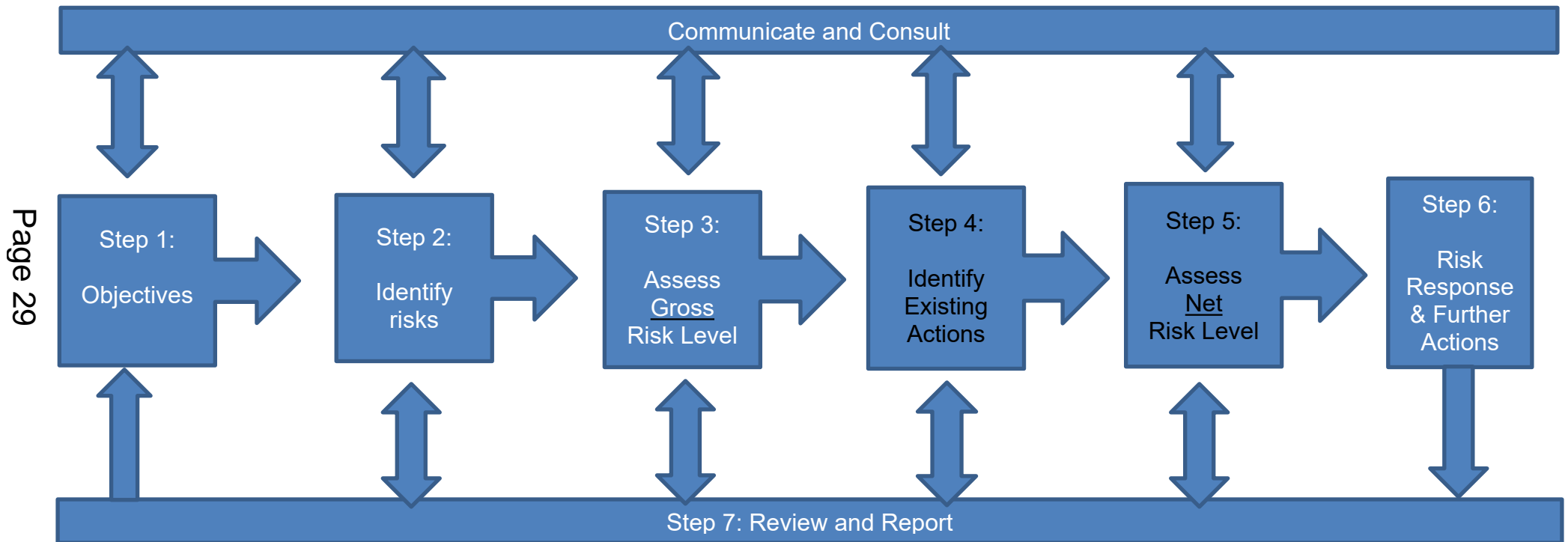
The Council is working towards a comprehensive and integrated approach to risk management where:

- Staff are clear about what risk management is intended to achieve.
- Significant risks are being identified and managed effectively.
- Training and guidance on risk management are easily accessible.
- A consistent corporate approach is followed using a common 'risk language' and it is seen as an integral part of good corporate governance.

Risk Management Process

The Council's approach to risk management is based on best practice and involves several key steps as outlines in Diagram 1.

Diagram 1: Arun District Council's Risk Management Process



Effective communication and consultation are critical to the successful management of risk. Each step is an important factor at every point of the process, and it is vital that staff at all levels of the organisation are involved to embed risk management as an effective management tool.

Step 1: Objectives

Before we can identify risks, we need to establish the context by what we are trying to achieve and what our proposed outcomes are. Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- The Council's Vision 2022- 2026
- Directorate Objectives
- Service Delivery Plans
- Project Briefs/ Project Initiation Documents
- Partnership Agreements

Step 2: Identify Risks

There are several different types of risks faced by organisations including financial loss, failure of service delivery, physical risks to people and damage to the organisation's reputation.

To act as a prompt and to ensure completeness, a checklist of risk categories has been developed around the acronym **PERFORMANCE**.

- **P**olitical
- **E**conomic
- **R**egulatory
- **F**inancial
- **O**pportunities/ Outcomes
- **R**eputation
- **M**anagement
- **A**ssets
- **N**ew Partnerships/ Projects/ Contracts
- **C**ustomers/ Citizens
- **E**nvironment

Examples of risks from each category are detailed in the Risk Identification Checklist (Appendix 1).

Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and effect of each risk must

Description	Cause	Effect
Risk of..... Failure to..... Lack of..... Loss of..... Uncertainty of..... Delay in..... Inability to..... Inadequate..... Partnership with..... Development of..... Opportunity to..... Damage to.....due to.....because....leads to....results in...

Once identified, all risks are recorded in a ‘Risk Register’.

A risk owner must be allocated and recorded against each risk on the risk register. Accountability helps to ensure ‘ownership’ of the risk is documented and recognised. A risk owner is defined as a person with the accountability and authority to effectively manage the risk.

At this stage there may well be a long list of possible risks. The next step will help to prioritise these in order of importance.

Step 3: Assess Gross Risk Level

To ensure resources are focused on the most significant risks. The Council’s approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each risk to be assessed twice- gross and net risk levels.

Gross Risk Level: is taken on the basis that there is no action being taken to manage the identified risk and/ or any existing actions are not operating effectively. The worst-case scenario if the risk were to occur.

To ensure that a consistent scoring mechanism is in place across the Council, risks are assessed using the agreed criteria for likelihood and impact detailed in Appendix 2. When assessing the risk, the highest measure identified in each table is the score taken to plot the risk level on the risk matrix (Diagram 2).

Diagram 2: Arun District Council's Risk Matrix

IMPACT	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4
		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
LIKELIHOOD					

The Council considers gross risk to ensure that:

- Informed decisions can be made about the consequences of stopping risk actions that are currently in place; and
- Resources are not wasted over- controlling risks that are not likely to happen and would have little impact.

Step 4: Identify Existing Risk Actions

Existing actions which are helping to minimise the likelihood and/ or impact of the risk occurring, are identified for each risk. These actions are specifically those in place or completed.

Step 5: Assess Net Risk Level

Net Risk Level: This step re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions. The reality if the risk were to occur in the immediate future.

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level (step 3). It is the risk owner's responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact measure detailed in Appendix 2.

The Council considers the net risk to ensure that:

- Identified risks are prioritised in terms of their significance as it is not practical or possible to manage every risk all the time; and
- Existing actions are relevant and effectively managing and/ or reducing the likelihood of the impact of the identified risks.

Step 6: Risk Response and Further Actions

Not all risks can be managed all the time, so having assessed, and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat.

Risk may be managed in one, or a combination of the following:

- **Avoid:** A decision is made not to take a risk.
- **Accept:** A decision is taken to accept the risk.
- **Transfer:** All or part of the risk is transferred through insurance or to a third party.
- **Reduce:** Further additional actions are implemented to reduce the risk.
- **Exploit:** Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

These are described in more detail in Appendix 3.

It is important to note that the Council has a risk appetite, where it is prepared to accept certain risks. This is illustrated by the black line on Diagram 2 and means that any risk that has been assessed as a 'net red' risk must be a priority for immediate management action. A decision needs to be taken whether to avoid, transfer or reduce the risk. **A 'net red' risk cannot be accepted.**

Step 7: Review and Report

Risk management is an ongoing process and risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/ or impact.

Arun's approach is to focus on those risks that because of their likelihood and impact make them priorities.

The Corporate Management Team Performance Board will review the Corporate Risk Register monthly. The Finance and Risk Manager will update the Corporate Risk Register accordingly.

The frequency at which risks within Operational Risk Registers will be reviewed is dependent on their risk level. These risks will be reviewed in line with the frequency detailed in the Review and Reporting Framework (Appendix 4)

The annual budget process will include updating individual service area risk registers to reflect current aims/ outcomes.

Risk registers have been developed using Microsoft Excel as a tool, enabling risks to be recorded and managed in a consistent way. Data can be interrogated to produce management information by Directorate, risk level (net and/ or gross) and/ or risk owner.

The Annual Governance Statement (AGS) process incorporates the review and challenge of service area and significant project risk registers and will result in an updated Corporate Risk Register which will be reported with the proposed AGS.

4. Roles and Responsibilities

To ensure risk management is effectively implemented, all Arun District Council Members and officers should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities.

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

All Employees

- Manage day-to-day risks and opportunities effectively and report risk management concerns to their line manager.
- Participate fully in risk workshops and action planning as appropriate.
- Attend training and awareness sessions as appropriate.

All Members

- Support and promote an effective risk management culture.
- Constructively review and scrutinise the risks involved in delivering the Council's core purpose, priorities, and outcomes.

There are some individuals and groups with specific leadership roles and responsibilities:

Audit and Governance Committee

- Provide independent assurance to the Council on the overall adequacy of the Risk Management Framework, including proposed amendments prior to its presentation at Full Council.

Corporate Management Team

- Champion an effective Council wide risk management culture.
- Ensure members receive relevant risk information.
- Responsible for owning and managing corporate strategic risks.
- The Chief Executive is the Corporate Champion for Risk Management. The Corporate Champion promotes the adequate and proper consideration of

risk management to senior managers and more widely throughout the Council.

- Review recommendations and amendments to the Risk Management Framework.
- Review the Corporate Risk Register in conjunction with Key Performance Indicators. Progress identified actions, delegating accordingly to Service Areas and Risk Owners.
- Contribute to and approve the Council's Annual Governance Statement.
- Ensure the Internal Audit work plan is focused on the key risks facing the Council.

Directors

- Risk manage their Group in delivering the Council's core purpose, priorities, and outcomes.
- Constructively review and challenge the risks involved in decision making.
- Review and challenge the content of risk registers.

Group Heads

- Responsible for the effective leadership and management of risk in their service areas to meet objectives and outcomes in line with the Council's Risk Management Framework and confirming annually they have done this as part of the Annual Governance Statement process.
- With the appropriate Risk Owner, maintain the relevant service area risk registers ensuring all key risks are identified, managed, and reviewed in line with the corporate risk management approach.
- Promptly escalate risks to the Corporate Management Team where appropriate.
- Encourage staff to be open and honest in identifying risks and opportunities.
- Ensure the risk management process is an explicit part of all significant projects.

Service Managers and Project Managers

- Responsible for the effective leadership and management of risks in their area of responsibility, including significant projects in line with the Council's Risk Management Framework. Confirm they have done this annually as part of the Annual Governance Statement process.
- Identify, assess, and appropriately document significant risks.
- Clearly identify and communicate risk ownership.
- Manage risks in line with corporately agreed timescales/ policies.
- Escalate risks for to the Corporate Management Team for inclusion on the Corporate Risk Register where appropriate.

Risk Owners

- Ensure that appropriate resources and importance are allocated to the process.
- Confirm the existence and effectiveness of existing actions and ensure that any further actions are being progressed/ implemented.
- Provide assurance that the risks allocated to them are being effectively managed.

Action Owners

- Take ownership of the action they are responsible for by either confirming the existence and effectiveness of existing actions or ensuring that any further actions are being progressed/ implemented.

Partners

- Where appropriate participate in the development of a partnership risk register where the Council is the lead accountable body.
- Actively manage risk within the partnership.
- Report on risk management issues to relevant committees/ boards.

Internal Audit

- Provide assurance that risks are being effectively assessed and managed.
- During all relevant audits challenge the content of risk registers.

Finance and Risk Manager

- Design and facilitate the implementation of a risk management framework within the Council ensuring it meets the needs of the organisation.
- Provide direction and guidance to specialist functions to ensure that a risk-based approach is taken to the development of policies and procedures.
- Collate risk information and prepare reports as required.
- Develop, support, and promote the Corporate and Service Area Risk Registers.

5. Embedding Risk Management

For risk management to be effective and a meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. Risks and monitoring of associated actions should be considered as part of several of the Council's significant business processes, including:

- Corporate Decision Making- significant risks which are associated with policy or action to be taken when making key decisions will be included in appropriate committee reports.
- Business/ Budget Planning- this annual process will include updating individual service area risk registers to reflect current aims/ outcomes.
- Project Management- all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project. This includes risks that could impact service delivery, benefits realisation, and engagement with key stakeholders (service users, third parties, partners etc).
- Partnership Working- partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council and/ or the Partnership's aims and objectives.

- Procurement- Contract Standing Orders clearly specify that all risk and actions associated with the purchase need to be assessed, kept under review, and amended as necessary during the procurement process.
- Contract Management- all significant risks associated with all stages of contract management are identified and kept under review.
- Information Governance- an annual information risk assessment will be developed to assess the level of risk and compliance with regards the use of information.
- Insurance- the Council's insurance team manages insurable risks and self-insurance arrangements.
- Health and Safety- the Council has a specific risk assessment policy to be followed in relation to health and safety risks.

6. Culture

The Council will be open in its approach to managing risk and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

7. Training and Awareness

It is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

The Senior Management Team will receive annual refresher training on risk management conducted by a specialist external provider.

In addition, a range of training methods to meet the needs of the organisation will be provided but will primarily rely on intranet-based awareness training. This will be accessible via the Council's Sharepoint page.

Risk management information will be available on the intranet, including links to Risk Registers, more detailed guidance, training, and case studies.

Appendix 1: Risk Identification Checklist

Effective Risk Management improves..... **PERFORMANCE**

Political	<ul style="list-style-type: none"> • Change in Government Policy • Member support/ approval • Political personalities • New political arrangements
Economic	<ul style="list-style-type: none"> • Demographics • Economic downturn- prosperity of local businesses/ local communities
Regulatory	<ul style="list-style-type: none"> • Legislation and internal policies/ regulations including: <ul style="list-style-type: none"> ○ Health & Safety at Work Act, General Data Protection Regulations, Freedom of Information, Equalities Act 2010 and Public Sector Equalities Act 2011, Employment Law, TUPE, Environmental legislation etc. • Grant funding conditions • Legal challenges, legal powers, judicial reviews, or public interest reports.
Financial	<ul style="list-style-type: none"> • Budgetary pressures • Loss of/ reduction in income/ funding, increase in energy costs • Cost of living, interest rates, inflation etc • Financial management arrangements • Investment decisions, Sustainable economic growth • Affordability models and financial checks • Inadequate insurance cover • System/ procedure weakness that could lead to fraud
Opportunities/ Outcomes	<ul style="list-style-type: none"> • Add value or improve customer experience/ satisfaction • Reduce waste and inefficiency • Developing sustainable places and communities • Improving the wellbeing of the community
Reputation	<ul style="list-style-type: none"> • Negative publicity (local and national) • Increase in complaints

Management	<ul style="list-style-type: none"> • Loss of key staff, recruitment, and retention • Training issues • Lack of/ or inadequate management support • Poor communication/ consultation • Capacity issues- availability, sickness absence etc. • Emergency preparedness/ Business continuity
Assets	<ul style="list-style-type: none"> • Property- land, buildings, and equipment • Information- security, retention, timeliness, accuracy, intellectual property rights • ICT- integrity, security, availability, e-government • Environmental- landscape, countryside, historic environment, open space
New Partnerships/ Projects/ Contracts	<ul style="list-style-type: none"> • New initiatives, new ways of working, new policies, and procedures • New relationships- accountability issues/ unclear roles and responsibilities • Monitoring arrangements • Managing change
Customers/ Citizens	<ul style="list-style-type: none"> • Changing needs and expectations of customers • Poor communication or consultation • Poor quality or reduced service delivery- impact on vulnerable groups • Health inequalities, safeguarding issues etc.
Environment	<ul style="list-style-type: none"> • Recycling, green issues, energy efficiency, land use and green belt issues, noise contamination, pollution, increased waste, or emissions • Impact of planning policies • Climate change- hotter drier summers, milder wetter winters, and more extreme events- heat waves, flooding, storms etc.

Appendix 2 – Measures of Likelihood and Impact

IMPACT	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4
		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
LIKELIHOOD					

Likelihood Measures

	Unlikely 1	Possible 2	Likely 3	Very Likely 4
Probability	Less than 10% chance of circumstances arising	10% to 40% chance of circumstances arising	41% to 75% chance of circumstances arising	More than 75% chance of circumstances arising
Timescale	Is unlikely to occur.	Possible in the next 3 or more years.	Likely to occur in the next 1 to 2 years.	Occurred in the past year or is very likely to occur in the next year.

Impact Measures

	Low 1	Medium 2	High 3	Very High 4
People/ Duty of Care	Low level of foreseeable minor injuries	High level of foreseeable minor injuries Low level of foreseeable serious injuries	High level of foreseeable severe injuries	Foreseeable long-term injury, illness, or fatality
Financial Impact	Up to £50k Less than 5% over project budget	Up to £100k 5- 10% over project budget	Up to £250k 11- 25% over project budget	Over £250k More than 25% over project budget
Legal Impact	Minor civil litigation	Major civil litigation and/ or local public inquiry	Major civil litigation and/ or national public inquiry	Legal action certain Section 151 or government intervention or criminal charges
Service Impact	Short term service disruption	Noticeable service disruption affecting customers	Significant service failure but not directly affecting vulnerable groups	Serious service failure directly affecting vulnerable groups
Project Delivery	Minor delay to project	Significant delay to project	Project fails to deliver target impacting on the Service Area's performance	Project fails to deliver target impacting on Council's performance
Intervention Required	Intervention by Service Manager, Project Manager or equivalent	Intervention by Group Head	Intervention by Corporate Management Team	Intervention by Members
Reputation Impact	Short term negative impact	Significant negative local media attention	Sustained negative local media attention and/ or significant national media attention	Sustained negative national media attention

Appendix 3 – Risk Response Categories

	Description
Avoid	<p>A decision is made not to take a risk.</p> <p>Where the risks outweigh the possible benefits, avoid the risk by doing things differently e.g. revise strategy, revisit objectives or stop the activity.</p>
Accept	<p>A decision is taken to accept the risk.</p> <p>Management and/ or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more.</p> <p><i>Net red risks are outside of the Council's risk appetite (these risks cannot be accepted).</i></p>
Transfer	<p>Transfer all or part of the risk through insurance to a third party e.g. contractor or partner, who is better able to manage the risk.</p> <p><i>Although responsibility can be transferred, in most cases accountability remains with the Council so monitoring will still be required.</i></p>
Reduce	<p>Implement <u>further additional action(s)</u> to reduce the risk by:</p> <ul style="list-style-type: none"> • Minimising the likelihood of an event occurring e.g. preventative action and/ or • Reducing the potential impact should the risk occur e.g. business continuity plans.
Exploit	<p>Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.</p>

Appendix 4 – Reviewing and Reporting Framework

Net Risk Level and Score	Frequency of Reviews (applies to <u>all</u> risk registers)
<p>High 12-16</p>	<p>These are significant risks which may have a significant impact on the Council and the achievement of its objectives if not managed.</p> <p>Immediate management action needs to be taken to reduce the level of net risk. Any net red risks at a service area level will be included alongside corporate risks reported to the Corporate Management Team.</p> <p>As a minimum review <u>monthly</u></p>
<p>Medium 4-9</p>	<p>Although usually accepted, these risks may require some additional mitigation to reduce likelihood if this can be done cost effectively.</p> <p>These risks should be reassessed to ensure conditions remain the same and existing actions/ controls are operating effectively.</p> <p>As a minimum review <u>quarterly</u></p>
<p>Low 1-3</p>	<p>These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources.</p> <p>These risks should be reassessed to ensure that conditions remain the same and existing actions/ controls are operating effectively.</p> <p>As a minimum review <u>6- monthly</u></p>

Task	Corporate Strategic Risk Register	Service Area Operational Risk Register	Significant Project Risk Register
Risks identified by:	Corporate Management Team	Group Heads and their management teams	Project Team Key Stakeholders
Risks owned by:	Directors	Group Heads and their management teams	As appropriate
Risks reviewed by:	Corporate Management Team	Group Heads Risk Owners	Project Board/ Team Project Sponsor Risk Owners
Risks scrutinised by:	Senior officers and Members via Committee reports, and ad-hoc reports as required. Periodic scrutiny of individual risk registers by the Governance & Risk Group Internal Audit.		
Risk Register maintained and updated by:	Finance and Risk Manager and/ or Risk Owner	Group Heads or Heads of Service, their nominee and/ or Risk Owner	Project Managers and/ or Risk Owner
Escalation of Risks	Risks can be escalated by Group Heads or their management teams to the Corporate Management Team for inclusion on the Corporate Strategic Risk Register.		
Review of the Risk Management Framework	Undertaken at least annually by the Corporate Management Team with recommendations and amendments taken to the Audit and Governance Committee for review.		

Arun District Council

REPORT TO:	Audit and Governance Committee 29 November 2022
SUBJECT:	Corporate Risk Register
LEAD OFFICER:	James Hassett, Chief Executive Officer / Carolin Martlew, Interim Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Councillor Mike Clayden
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
<p>The Risk Management Framework presented to the Audit and Governance Committee on 29 November 2022 has been used to review the strategic risks facing the Council.</p> <p>As a result of the review a new Corporate Risk Register has been produced.</p>	
DIRECTORATE POLICY CONTEXT:	
<p>The Corporate Risk Register is an overriding risk management tool that will capture corporate risks from across the Council.</p>	
FINANCIAL SUMMARY:	
<p>There are no direct financial considerations.</p>	

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to recommend the adoption of the new Corporate Risk Register.

2. RECOMMENDATIONS

- 1.2. Members of the Audit and Governance Committee are asked to consider and adopt the new Corporate Risk Register.

2. EXECUTIVE SUMMARY

- 2.1. A new Risk Management Framework was recommended for adoption at Audit and Governance Committee on 29 November 2022.
- 2.2. The framework has been used to review the strategic risks faced by the Council formulating in a new Corporate Risk Register.

- 2.3. It is recommended that the new Corporate Risk Register is adopted by the Audit and Governance Committee.

3. DETAIL

- 3.1. A new Risk Management Framework was developed in May 2022. The framework is a risk management tool to govern and guide the Council's approach to risk management.
- 3.2. An additional report recommending the adoption of the framework was presented to the Audit and Governance Committee on 29 November 2022.
- 3.3. The Corporate Management Team have trialled the framework to review the strategic risks facing the Council. The outcome of this process is in a new Corporate Risk Register.
- 3.4. Corporate risks are risks that could influence the successful achievement of our long- term core purpose, priorities, and outcomes. These are risks that could potentially have a council wide impact and/ or risks that cannot solely be managed at a Service Area Level because higher level support or intervention is needed.
- 3.5. A Corporate Risk Register Summary of the corporate risks facing the Council is attached as Appendix 1 to this report. This also includes contains the Council's Risk Matrix (an extract from the Risk Management Framework) used to score each risk.
- 3.6. Risks have been assessed for Gross and Net risk. This method is used to evaluate the effectiveness of the identified actions used to mitigate the likelihood or impact of each of the risks.
- 3.7. The full Corporate Risk register is attached as Appendix 2 to this report.
- 3.8. Members of the Audit and Governance Committee are asked to consider and adopt the new Corporate Risk Register.

4. CONSULTATION

- 4.1. There is no requirement for public consultation in relation to the Corporate Risk Register, this is an internal risk management tool.

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. Not applicable.

6. COMMENTS BY THE GROUP HEAD OF FINANCE/ S151 OFFICER

- 6.1. There are no direct financial implications. However, the Corporate Risk Register will assist in the effective management of financial risk.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. The proposed Corporate Risk Register aid in the effective management of strategic risks faced by the Council. (Appendix 1 & 2)

8. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

- 8.1. None

9. HUMAN RESOURCES IMPACT

- 9.1. None.

10. HEALTH & SAFETY IMPACT

- 10.1. None.

11. PROPERTY & ESTATES IMPACT

- 11.1. None.

12. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

- 12.1. None.

13. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

- 13.1. None.

14. CRIME AND DISORDER REDUCTION IMPACT

- 14.1. None.

15. HUMAN RIGHTS IMPACT

- 15.1. None.

16.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

16.1. None.

CONTACT OFFICER:

Name: Vicky Ashmore

Job Title: Finance and Risk Manager

Contact Number: X37606

BACKGROUND DOCUMENTS:

None

CORPORATE RISK REGISTER SUMMARY

CRR Ref	Directorate or Service Area	Risk Area	Gross Risk Level (Risk is Likelihood x Impact)	Net Risk Level (Risk is Likelihood x Impact)	Risk Owner
CRR 1- A	All Directorates	Financial Resilience	12 (3x4)	8 (2x4)	Carolyn Martlew
CRR 1- B	Housing/ Finance	Balance of Housing Revenue Account	16 (4x4)	12 (3x4)	Carolyn Martlew/ Philippa Dart
CRR 2	All Directorates	Organisational capacity to deliver	16 (4x4)	12 (4x3)	James Hassett
CRR 3	All Directorates	Change Management and Transformation	16 (4x4)	9 (3x3)	James Hassett
CRR 4	All Directorates	ICT- Cyber Security	16 (4x4)	12 (3x4)	Jackie Follis
		ICT- Physical or technical failure	12 (3x4)	6 (2x3)	
		ICT- Loss of staff	6 (2x3)	4 (2x2)	
CRR 5	All Directorates	Corporate Business Continuity	12 (3x4)	9 (3x3)	Philippa Dart

CRR 6	All Directorates	Information Governance and Data Protection	9 (3x3)	4 (2x2)	Daniel Bainbridge
CRR 7	All Directorates	Climate Change	16 (4x4)	16 (4x4)	Philippa Dart
CRR 8	All Directorates	Corporate Health and Safety	12 (3x4)	8 (2x4)	Karl Roberts
CRR 9	All Directorates	Equality and Diversity	12 (3x4)	8 (2x4)	James Hassett
CRR 10	Growth	Planning Policy & Conservation-Development Plan	12 (3X4)	12 (3X4)	Karl Roberts
CRR 11	Place	Major Projects	12 (3x4)	12 (3x4)	James Hassett Philippa Dart Karl Roberts
CRR 12	Homelessness	Increased Homelessness	16 (4x4)	9 (3x3)	Philippa Dart
CRR 13	Housing	Housing Management System Implementation	9 (3x3)	4 (2x2)	Philippa Dart
CRR 14	Housing Repairs	Compliance Failings	12 (3x4)	8 (2x4)	Philippa Dart
CRR 15	Housing	Ineffective Complaints Management	9 (3x3)	6 (2x3)	Philippa Dart

Arun District Council's Risk Matrix

IMPACT	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4
		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
LIKELIHOOD					

To ensure resources are focused on the most significant risks. The Council's approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

The risk management process requires each risk to be assessed twice- gross and net risk levels.

Gross Risk Level: is taken on the basis that there is no action being taken to manage the identified risk and/ or any existing actions are not operating effectively. The worst-case scenario if the risk were to occur.

Net Risk Level: This re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions. The reality if the risk were to occur in the immediate future.

CORPORATE RISK REGISTER

Risks that could influence the successful achievement of our long-term core purpose, priorities, and outcomes. These are:

1. Risks that could potentially have a council- wide impact and/ or
2. Risks that cannot be managed solely at a Service Area Level because higher level support or intervention is needed.

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 1- A	All Directorates	Financial Resilience	<p>Failure to maintain a robust and deliverable budget will lead to a lack of resources to fund services and council priorities, leading to reactive decision making and reputational consequences.</p> <p>Failure to maximise efficient use of resources and so unsuccessful redirection of resources and not achieving objectives and outcomes of the Council.</p> <p>Failure to exploit income streams/ income generating activities/ commercial opportunities.</p> <p>Increased inflation caused by utilities and supply contracts leading to significantly increased, unbudgeted costs.</p>	<p>Unpredictable Government Policy (e.g. Brexit and localisation of business rates).</p> <p>Reduction in government grants and external funding.</p> <p>Ineffective financial/ budget management and monitoring.</p> <p>Increased cost of building/ construction and maintenance.</p> <p>The outcome of the National Pay Negotiations/ Award.</p>	<p>Non- achievement of corporate priorities.</p> <p>Budget deficit.</p> <p>Forced to make savings leading to a reduction in the quality-of-service delivery.</p> <p>Increased costs and lower returns on investments.</p> <p>Minimal return from income generating activities/ commercial opportunities.</p> <p>Further pressure on demand led services e.g. benefits, homelessness etc.</p> <p>Reduction or delays in housebuilding and maintenance of corporate/ commercial buildings. Significant pressure on contracts, staff and projects.</p>	Carolyn Martlew

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GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
12 (3x4)	<p>Medium Term Financial Strategy (MTFS) regularly reviewed and reported to Members at the Policy & Finance Committee.</p> <p>Annual budget setting and quarterly budget monitoring of income and capital and revenue expenditure.</p> <p>Capital Strategy 2021/22- 2023/24 reviewed annually.</p> <p>Continue to maximise Council tax increases.</p> <p>Control of expenditure- Approval limits and routes for additional funding are detailed in the Council's Constitution and Financial Regulations.</p>	8 (2x4)	Develop an Income Generating Strategy to guide the Council's income generating activity and investments.

	<p>Zero based budgeting exercise.</p> <p>Monitoring of potential changes to government policy, legislation etc.</p> <p>Sufficient reserves.</p>		
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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR1 - B	Finance/Housing	Balance of Housing Revenue Account	Service management and national pressures reduce income and increase costs leading to a potential HRA deficit by end March 2023 to be mitigated by approval of changes in capital financing.	<p>Current financial climate.</p> <p>Increase in costs.</p> <p>Significant predicted overspends on planned and responsive repairs contract and Supervision and Management in current year.</p> <p>Increase in cost of Housing ICT/transformation project.</p> <p>Prior year's overspends on reactive maintenance.</p>	<p>Without mitigation HRA balance at critical level resulting in potential failure of service.</p> <p>Financial loss to the Council.</p> <p>Increase in enforcement actions.</p> <p>Increase in homelessness.</p>	Carolin Martlew/Philippa Dart

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
16 (4x4)	<p>Contract Management.</p> <p>Zero based budgeting exercise now complete to produce a Budget for 2023/24.</p> <p>Budget monitoring.</p> <p>Review of significant items for Budget 2022/23.</p> <p>Review of Capitalisation Policy.</p> <p>Review of Borrowing Strategy.</p>	12 (3x4)	<p>Changes to budget to be considered at Policy and Finance Committee on 13 December 2022 and if appropriate approval by Full Council on 18 January 2023.</p> <p>Service led recovery plan.</p> <p>Set up regular and dedicated supervision for income recovery with officers to ensure that cases are progressed in a timely manner.</p> <p>Use data analysis more effectively to identify cases for next stage recovery action/ more specific intensive recovery action.</p>

	<p>Review of Repairs Contract.</p> <p>Close adherence to rent arrears policy and procedures.</p> <p>Ensure officers understand the impact of timely intervention.</p> <p>Staff training.</p> <p>Debt advice- dedicated officer.</p> <p>Good communication with tenants.</p> <p>Specialist IT software.</p>		<p>Regular case reviews with specialist Housing Officers.</p>
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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 2 Page 55	All Directorates	Organisational capacity to deliver.	<p>Lack of resilience in the existing staff structure, so do not have the necessary number of staff with the right skills to deliver services and the Council's priorities.</p> <p>Inability to meet the expectations of service users due to organisational capacity.</p> <p>Inability to attract and retain suitably skilled staff.</p>	<p>Uncompetitive salaries offered for certain positions/ professions.</p> <p>A comprehensive job profiling process that does not recognise external market forces and is resource intensive.</p> <p>Uncertainty around future home working arrangements.</p> <p>Limited scope for career progression can reduce the retention of talented staff.</p> <p>Inadequate training/ handover.</p> <p>Failure to recruit and retain talented staff.</p> <p>Lack of prioritisation of key workstreams.</p> <p>Impact and potential future impact of the coronavirus pandemic.</p>	<p>Non- achievement of corporate priorities.</p> <p>Loss of staff with essential knowledge and experience.</p> <p>Service disruption leading to a loss of productivity- whilst new starters/replacements are recruited and trained.</p> <p>Service performance and staff health and welfare could be compromised due to high attrition rates.</p> <p>Increased staff sickness.</p> <p>Increased costs of recruitment.</p> <p>High turnover.</p> <p>Hybrid/ remote working- positive or negative impact not yet fully known. This depends on the demographic, research to date points to flexibility being attractive.</p> <p>Over reliance on agency workers.</p>	James Hassett

				<p>Skills shortage externally – this is not Arun specific impacting Arun’s ability to recruit.</p> <p>Local government – attractiveness/ age profile implications (approx. 60- 70% of staff over 40).</p> <p>Image of Local Government- increased by the media presenting a negative image of the public sector.</p> <p>Negative social media compounds the negativity related to the Council in general.</p>	<p>Stress can be more hidden when staff are working from home/ adopting the hybrid mode.</p> <p>Reduced sickness rates have been recorded whilst staff have been working from home.</p> <p>Inability to respond to additional priorities or emergency situations.</p>	
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GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
16 (4x4)	<p>The Council's performance appraisal process identifies individual training requirements and individual objectives linked to service delivery plans.</p> <p>Utilisation of secondment opportunities to benefit from existing skills and develop individual staff.</p> <p>Investment in development of staff via the corporate training budget.</p> <p>Adequate notice periods built into posts.</p> <p>Staff sickness monitoring and reporting undertaken.</p> <p>The use of market supplements and other recruitment and retention payments to attract applicants to vacancies and retain staff.</p> <p>Job profiling is used to determine grades.</p> <p>Pay comparison/ benchmarking exercise with other Local Authorities is regularly undertaken.</p> <p>Lead specialist appointed to help develop the Council's operating model.</p>	12 (4x3)	<p>To review recruitment and retention initiatives to attract and retain appropriately skilled staff.</p> <p>Identify a specific training plan for all management tiers to cover business and management processes (for example, including Risk Management, the Constitution, Committee Structure/ Committee Reports and Budget management/ monitoring.</p> <p>Undertake regular staff engagement surveys.</p> <p>Annual workforce/ resource planning in conjunction with the zero- based budgeting process. Aids the alignment of Corporate, directorate and service area priorities.</p> <p>Operating Model/ Workforce Strategy/ Service reviews to align resources with new Council Vision.</p> <p>Review of job profiling and current reward strategy.</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 3	All Directorates	Change Management & Transformation	<p>Lack of a corporate operating model and a clear plan to achieve this.</p> <p>Failure to maintain business as usual (BAU)/ appropriate levels of service at the same time as transformation.</p> <p>Failure to implement change programmes within timescales and at the desired pace.</p> <p>Failure to deliver service improvement, efficiencies and/ or savings.</p> <p>Lack of financial resource to deliver programmes.</p> <p>Inability to re- engineer processes and systems so that they are fit for a lean and transformed council.</p> <p>Inability to secure cultural changes and engagement.</p> <p>Lack of engagement and understanding of objectives by staff and contractors.</p> <p>Lack of engagement and support for objectives by members.</p>	<p>Insufficient knowledge, skills, and resources to facilitate change.</p> <p>Insufficient management information to properly model proposed changes and impacts.</p> <p>Services unable to provide the required level of input.</p> <p>Key suppliers/ existing contractual arrangements do not enable or support transformation plans.</p> <p>Ineffective communication and engagement.</p> <p>An unstable, demotivated workforce at a time of change.</p> <p>Unmanageable workloads resulting in unsustainable pressure on existing staff.</p> <p>Political uncertainty as we approach full local elections.</p>	<p>Unachieved strategic and operational objectives and/ or overruns on time and cost.</p> <p>Poor standards of service or disruption to service.</p> <p>Staff experience stress related health issues.</p> <p>Reputational damage.</p> <p>Services that do not meet the needs of the community.</p> <p>Services that are not delivered in a modern and cost-effective way.</p>	James Hassett

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
16 (4x4)	<p>Project management processes and governance in place to monitor project delivery.</p> <p>Utilisation of secondment opportunities to benefit from existing skills in project management.</p> <p>Frequent budget monitoring and the implementation of zero- based budgeting.</p> <p>Effective procurement and contracting processes in place.</p> <p>Process for key risks identified and monitored for major projects.</p> <p>Service performance monitoring (KPIs) and management processes in place.</p> <p>Lead specialist appointed to help develop the Council's operating model.</p>	9 (3x3)	<p>The development of an Operating Model/ Workforce Strategy and Service reviews need to align resources with new Council Vision.</p> <p>Develop a transformation programme including processes to ensure:</p> <ul style="list-style-type: none"> • The right staff with the right knowledge, skills and competencies are in place and retained for the delivery of Business As Usual (BAU) and effective transformation. • Appropriate/ sufficient levels of staffing within individual projects in place to sustain BAU and to deliver transformation. • Clear roles and responsibilities defined between transformation and BAU. • Scrutiny of transformational programme through monthly Programme Boards. • Early warning signs of areas where efficiencies/ savings will not be realised (either amount or on time). • An effective communication and engagement plan is in place with stakeholders. • Effective commissioning of high- quality services. • Early identification of resource gaps and/ or redundancy costs for inclusion in project plans at an early stage. • Management of stakeholder expectations (Customer/ resident expectations vs Council's delivery model).

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 4	All Directorates	ICT	<p>1. Loss of technology, data, and communications; through major cyber compromise.</p> <div style="background-color: black; width: 150px; height: 30px; margin: 5px 0;"></div> <p>Detection and containment delays may mean increased damage and increased data loss.</p>	Cyber-attack.	<p>Loss of all ICT facilities including back-office systems, telephony, printing, public facing systems, and laptops.</p> <p>Major risk of data loss and data breaches.</p> <p>Significant disruption of service (no IT) to all staff & customers (2 to 6-month phased recovery), could be longer without 24/7 working.</p> <p>Initial outlay for new IT equipment (£m's) and loss of income / additional organisational costs may <u>not</u> be recoverable via insurance (est. £10m).</p>	Jackie Follis

			<p>[REDACTED]</p> <p>A national attack will mean access to cyber experts and other government agency help may not be available.</p>		Each day of downtime = c£90k loss of productivity.	
			<p>2. Loss of technology, data, and communications; through major outage of datacentre, or integral infrastructure component failure.</p> <p>[REDACTED]</p>	Physical or technical failure (e.g. fire, flood, hardware or communications failure).	<p>Loss of some / all ICT facilities including back-office systems, public facing systems, telephony, and printing.</p> <p>Limited risk of data loss, laptops would still work outside of council premises although with reduced facilities.</p> <p>Potentially a significant disruption of service (no IT) to all staff & customers (5 to 28-day phased recovery), could be longer without 24/7 working.</p> <p>Initial outlay for new IT equipment (£m's) and loss of income / additional organisational costs but may be recoverable via insurance.</p> <p>Each day of downtime = c£90k loss of productivity.</p>	Jackie Follis
			<p>3. Lack of sufficiently skilled staff to run and support the technical estate / specialist areas including software, hardware, communications, systems, and cyber security (and any recovery actions).</p>	Pandemic or major incident affecting ICT staff in one location (i.e. loss of all staff).	<p>Increasing degradation of operational services through to potential complete loss of all service, delays in resolution and recovery.</p> <p>Increased cyber risks.</p>	Jackie Follis

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
<p>16 (4x4)</p>	<p>1. Cyber protection layers, [REDACTED] advance notifications and warnings, cyber training, staff security policy, staff awareness training, and cyber response plan.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Services should have a BCP in place including scenarios for extended period of no ICT.</p> <p>[REDACTED]</p>	<p>12 (3x4)</p>	<p>The impact has a major significance for this risk as it would stop almost all services the council provides for up to 6 months and could cost millions in unrecoverable costs.</p> <p>Reducing the likelihood or impact by any amount even if only enough to reduce by a point factor would be worthwhile.</p> <p>New post of IT Security Officer to focus on protect and recovery.</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
<p>12 (3x4)</p>	<p>2. Key component redundancy by design, immutable / off-site backups (for recovery), a limited capacity recovery site, cloud services, laptops as standard issue, website hosted externally, insurance cover for IT equipment.</p> <p>[REDACTED]</p> <p>Accept recovery times may be extended.</p> <p>Services should have a BCP in place including scenarios for extended periods of no ICT.</p>	<p>6 (2x3)</p>	<p>Increase DR site capacity including faster recovery capability.</p> <p>[REDACTED]</p>
<p>6 (2x3)</p>	<p>3. Where feasible cross-over training / documentation undertaken, however with specialist skill sets and knowledge not always possible.</p>	<p>4 (2x2)</p>	<p>Accept risk of losing all staff.</p>

	Have staff working in different locations / shifts but accept limited mitigation where a major incident affects ICT staff in one location.		
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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 5	All Directorates	Corporate Business Continuity	Failure in the delivery of some or all services, including statutory services.	<p>Loss of buildings/ infrastructure through fire, flooding, or other serious environmental incident possibly because of climate change.</p> <p>Sudden loss of key personnel or mass loss of staff through illness e.g., pandemic.</p> <p>Industrial action.</p> <p>Breakdown in supply chain.</p> <p>Loss of power or other services.</p> <p>Significant ransomware or cyber-attacks. (See separate risk # CRR 4).</p>	<p>Inability to provide a range of key services to customers, including vulnerable customers.</p> <p>Financial loss and service disruption to customers and the Council.</p> <p>In ability to pay customers or contractors leading to loss of contractors/ suppliers reducing service provision.</p> <p>Inability to provide services leading to reputational damage.</p> <p>Possible breach of the Council's statutory duties under the Civil Contingencies Act.</p>	Philippa Dart

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
12 (3x4)	<p>Corporate Business Continuity Plan identifying critical activities and recovery time objectives for identified priority services.</p> <p>Service Business Impact Analysis (BIA) and Business Continuity Plans (BCPs) reviewed and updated to identify critical service and IT requirements.</p> <p>BIA and BCP to be reviewed and updated annually, and when a change of service</p>	9 (3x3)	<p>Seek support from insurers or others to carry out an exercise to test BCP arrangements with an emphasis on recovery period with no reliance on IT for a minimum period to be specified.</p> <p>Continue a testing programme for BCPs to ensure they are fit for purpose. Outcomes of the reviews and lessons learnt should be used for continuous improvement.</p>

	<p>occurs.</p> <p>Reviewed by CMT at regular Performance Board meeting.</p> <p>Procurement tender processes require major contractors to have business continuity plans in place.</p> <p>Business continuity arrangements invoked/ enhanced during coronavirus crisis.</p> <p>Lessons learned through the Covid pandemic has tested mobile working arrangements.</p>		<p>Review of off-site storage of BCPs and paper copies retained by all senior managers.</p> <p>Staff to test and challenge their arrangements together with contractors and suppliers.</p> <p>Consider arrangements as part of procurement strategy..</p> <p>Consider further communications with staff over business-critical risks as continual reminder.</p>
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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 6 Page 62	All Directorates	Information Governance and Data Protection	Failure to keep all personal data secure leading to a breach of the General Data Protection Regulations (GDPR) and Data Protection Act resulting in fines and reputational risk.	<p>Lack of awareness on information governance, security requirements and standards.</p> <p>Lack of training and staff/ Member awareness of requirements.</p> <p>Lack of clarity around what information is where and who is responsible for it.</p> <p>Increased information sharing.</p> <p>Increase in home and mobile working.</p>	<p>Breach of GDPR/ Data Protection legislation resulting in financial penalties/ ICO censure.</p> <p>Poor publicity/ reputational damage.</p> <p>Incident management of possible breaches will require corporate/ CMT support and will impact existing work.</p> <p>Less control over shared data.</p>	Daniel Bainbridge

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
9 (3x3)	<p>Trained resource to handle FOI/ DPA requests. Data Protection Officer appointed and trained.</p> <p>Hut Six training on data protection in place for new starters and when updates are rolled out.</p>	4 (2x2)	<p>Senior Information Management Officer to obtain FOI qualification once in post.</p> <p>Annual mandatory DP training for all staff to include safe home working guidance to ensure protection and confidentiality of ADC data while working at home.</p>

Page 63	<p>ICO guidance on preparation for General Data Protection Regulation (GDPR) reviewed and Action Plan progressed. Additional external advice obtained and transfer to GDPR and new Data Protection Act complete.</p> <p>Data audit conducted, and policies updated for DPA/ GDPR compliance- now subject to ongoing review.</p> <p>Policy/ publication updates being completed, and regular briefings provided to CMT and staff.</p> <p>DPA/ GDPR training provided to all staff and Members. E-learning undertaken for Information Governance.</p> <p>Information Security Group (ISG) oversight of data protection and security compliance.</p> <p>Data Protection incident management process developed and advised to staff/ management.</p> <p>Head of Technology & Digital and ICT Digital Manager added to delegated authority for GDPR/ DPA (to increase capacity). Availability arrangements for ICT out- of- hours incident response accepted by CMT.</p>	<p>Implementation programme/action plan Information Governance audit recommendations.</p> <p>Monitoring any ongoing legislative changes and implement actions as required.</p> <p>Fresh data audit needed. Asset mapping required. Process needed for ongoing review.</p> <p>Review library of DP and FOI policies. Update where needed. Create policies where required.</p> <p>Review terms of reference to ensure fitness for purpose. Review membership.</p> <p>Review delegations to ensure they are up-to-date to reflect current postholders and that delegations sit within the correct service areas.</p>
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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 7	All Directorates	Climate Change	<p>Failure to make the activities of the Council carbon neutral by 2030.</p> <p>Failure to complete/ achieve the actions detailed in the Council's Climate Action and Biodiversity Work Plan 2022- 2023.</p>	<p>Increased severity of global warming caused by continued use of carbon.</p> <p>A lack of understanding, resource allocation, and commitment to achieving climate change goals, through both officer actions and members vote.</p> <p>Slow take- up of energy saving measures e.g. green/ renewable tariffs, smart meters, installation of PV etc.</p>	<p>Increased likelihood of extreme weather: (hot and cold) impacting vulnerable residents and staff.</p> <p>Increased likelihood of flooding (coastal, fluvial and surface) impacting on properties.</p> <p>Extreme weather impacting the delivery of day-to-day services and damaging properties, both residential and cooperate. In turn an increased budget required for regular repairs of these damages.</p> <p>Detrimental impact on the local environment, including a significant reduction or loss in biodiversity and ecosystem stability.</p>	Philippa Dart

Page 64				<p>Increase of sustainable energy costs verses carbon energy in short term.</p> <p>Inadequate level of sustainability required in proposal/ approved developments.</p> <p>Inadequate level of sustainability required in the Councils procurement process, for both purchased goods and services.</p> <p>Slow development of Government led policies for home/office energy standards, including for new developments and retrofit projects.</p> <p>Lack of financial support through relevant and applicable Government funding/grants.</p> <p>Government slow to introduce waste strategy including mandatory food waste collection.</p> <p>Slow take-up of electric, hybrid and low- emission vehicles- lack of accessible charging points.</p> <p>Progress of initiatives delayed due to Covid.</p>	<p>Continued reduction of air quality and resident health through emissions associated with petrol/diesel fuelled transport.</p>	
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GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
16 (4x4)	<p>Prioritisation of climate change in council Vision.</p> <p>Increased national awareness and drive for change including Member desire to progress climate change agenda.</p> <p>Government manifesto promises and global input (COP26 and beyond) and introduction of legislation.</p> <p>Council monitoring and implementing changes to Government standards (e.g. Future Homes).</p> <p>The Council's Carbon Neutral Strategy 2022- 2030 and Climate Action and Biodiversity Work Plan 2022- 2023 including actions and clear priorities being progressed.</p> <p>Climate Change & Sustainability Manager appointed.</p> <p>Regular reporting of carbon reduction targets and actions to Committee.</p> <p>Options for developing planning policy guidance and Supplementary Planning Documents SPD) aimed at improving the sustainability of developments compared to the current position and action plan to be progressed.</p> <p>Liaison with external agencies (water agencies on local water quality- Blue Flag beaches and the Sussex Air Quality Partnership).</p> <p>Liaison with partners/ advice on provision of suitable vehicle charging points for the future and advice to residents on energy saving, reduction in carbon emission, wellbeing etc.</p> <p>Providing support for other national/ local initiatives e.g. waste recycling.</p>	16 (4x4)	<p>Appointment of Carbon Reduction Strategy post.</p> <p>Further training to members and staff of carbon literacy and the role that can be played in reducing carbon use by the council and others.</p> <p>Increased internal and external communication on climate change factors.</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 8	All Directorates	Corporate Health and Safety	Failure to adhere to Health and Safety policies and procedures and legal requirements leading to death, serious injury, or life limiting illness, of an employee or third party resulting in prosecution under Health and Safety legislation, adverse publicity, fines, and	<p>Inadequate health and safety arrangements.</p> <p>Lack of awareness of Health and Safety policies, procedures, and responsibilities.</p>	<p>Death, injury or life limiting illness, to staff or third party resulting in prosecution under Health and Safety legislation.</p> <p>Other enforcement action causing prohibition/closure or interruption of service or activity.</p>	Karl Roberts

CORPORATE RISK REGISTER

			possible prison sentences. Such failures may also lead to civil claims for compensation.	Inadequate capability, competence and/or training of managers and staff on health and safety. Insufficient resources or capacity to manage health and safety. Lack of staff training.	Reputational damage/ poor publicity. Corporate manslaughter prosecution. Fines and possible prison sentences. Civil claims for compensation. Regulatory censure/ intervention.	
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GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
Page 66 12 (3x4)	Adopted and published health and safety policies, and procedures and guidance are available to all staff via the intranet. The Council Health & Safety Policy includes detailed responsibilities. Safety Management Programme tasks issued monthly, to manage service level risks. Corporate health and safety support function within Environmental Health. Quarterly reports on health and safety provided to CMT. Monthly KPI (CP6). Corporate health and safety commentary on committee reports. Internal Audit of Corporate Health & Safety July 2022.	8 (2x4)	Introduce manager health & safety induction training. Introduce corporate health and safety training programme. Review the safety management programme. Introduce an annual health and safety verification/assurance programme. Action the recommendations of the Internal Audit Report (Sep 22). Develop health and safety culture and communications.

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 9	All Directorates	Equality & Diversity	<p>The Council fails to meet its statutory obligations under the Equality Act 2010.</p> <p>Insufficient resource is put in place to ensure equality and diversity requirements are mainstreamed and embedded.</p> <p>Services areas may focus on what they consider their core business and consider equality and diversity less relevant/ important.</p> <p>Staff are not protected and as a result are subjected to unacceptable behaviour/ treatment.</p>	<p>Lack of consistent council- wide knowledge on Public Sector Equality duty and how to take equalities into consideration.</p> <p>Gaps in available data and analysis to understand potential impacts of decision making.</p> <p>Compliance driven rather than understanding based on good analysis.</p> <p>High turnover of staff resulting in loss of knowledge/ institutional memory loss.</p> <p>Overall budget pressures. Other priorities require funding.</p> <p>Some funding is in place, but it is not sufficient to meet all aspirations.</p> <p>Insufficient prioritisation/ competing against other priorities corporately and within service areas.</p> <p>Lack of or inconsistent ownership within or across service areas.</p>	<p>Challenged in court via Judicial review for failing to meet equalities duties.</p> <p>Negative Impact on staff morale and performance if the work environment is not perceived to be equitable.</p> <p>Our aspirations are not achieved, and this could result in stakeholders' concerns not being addressed.</p> <p>Compliance failure within some service areas.</p> <p>Financial implications of non- compliance resulting in legal action at Employment Tribunal (ET) or civil action for external issues. Worst case scenario is that there is no financial limit on discrimination remedy at an ET.</p> <p>Reputational damage.</p>	James Hassett

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
<p style="text-align: center;">12</p> <p style="text-align: center;">(3x4)</p>	<p>By the nature of the services delivered by the Council, policies and procedures are designed to be inclusive. As a result equality, diversity and inclusion requirements are automatically captured and addressed.</p> <p>Consultation on Council services and projects enables equality and diversity feedback to be obtained and considered where appropriate.</p> <p>Staff and Customer satisfaction surveys are undertaken providing an opportunity for weaknesses to be highlighted and addressed.</p> <p>The Council has a specific section on the Committee Report Template ((Section 13: Equalities Impact Assessment (EIA)/ Social Value) to ensure that equality and diversity is considered as part of the decision- making process. Any comments completed within this section will be reviewed by an appropriate officer prior to going to committee.</p> <p>The Council's Complaints Procedure provides an opportunity for equality and diversity weaknesses/ failings to be highlighted and monitored, addressed and lessons learnt to be carried forward.</p> <p>The Council has strong Human Resource policies and procedures that support equality and diversity, for example:</p> <ul style="list-style-type: none"> • Dignity at work, • Equality, diversity and inclusion policy, • Recruitment <p>Mandatory annual online equalities and diversity training is provided to all staff.</p> <p>Awareness training is offered to all members when they are elected (but with limited take-up).</p> <p>Annual monitoring of equal opportunities recruitment is undertaken.</p> <p>The Council's Customer of Concern Register aims to protect staff against unacceptable behaviour/ treatment.</p>	<p style="text-align: center;">8</p> <p style="text-align: center;">(2x4)</p>	<p>An equalities and diversity assessment/ review should be undertaken to ascertain what service areas currently do to ensure compliance.</p> <p>Note to CMT: The action taken by all Service Areas to ensure compliance with equality and diversity is unknown at this time.</p> <p>The assessment/ review recommended above will:</p> <ul style="list-style-type: none"> • Identify any failings/ weaknesses/ knowledge gaps. • Identify best practice. There will be some service areas which by the nature of the work they undertake will already adopt best practice e.g. Customer Services/ Wellbeing working with certain community groups or vulnerable customers. Where appropriate this will be adopted/replicated in other service areas. • Identify areas/ actions for improvement. • Inform the requirement for a resource to deliver the action plan/ any ongoing resource requirements. <p>Develop an Action Plan to improve equality and diversity across the Council.</p> <p>Determine resource requirement to deliver the action plan, including consideration of the impact on existing staff within service areas.</p> <p>Determine the need for an ongoing resource.</p> <p>Enhance awareness and knowledge through training including the requirements for the EIA Section on the for completing the - committee reports included/ requirements for these.</p> <p>Mandatory awareness training for all members following local elections in 2023 and annually thereafter.</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 10	Growth	Planning Policy and Conservation (Local Plans Team)	Not having an up-to-date Development Plan, guidance and a supporting evidence and monitoring framework.	<ul style="list-style-type: none"> - Key staff vacancies not filled/insufficient capacity and experience. - Unmanageable workload - Competing work priorities within the policy team. - Member decisions to pause/postpone - Council elections/Purdah (though this only affects a very short period and does not affect all decisions). - National Policy changes. - Failure of budget management/project planning. 	<ul style="list-style-type: none"> • Non compliance with Local Development Scheme – Local Plan update. • Failure to deliver Neighbourhood Plan preparation/updates. • The above would result in failure to have a 5-year land supply in place which would render certain polices out of date and trigger the presumption in favour. • Failure under Housing Delivery Test. This does not place an additional burden as the presumption would already apply without a 5 year land supply. • Risk of Plans being prepared by Government intervention. • Policy Framework out of date and decision making at risk of appeal and costs. • Additional budget needed to cover additional National policy requirements. • Legal costs (Appeals and JR) of failure to comply with national planning legislation. • Developments will be granted on appeal at an ever-increasing rate leading to reactive rather than proactive planning. Smaller sites not allocated in Plans would come forward and be difficult to resist. Opportunity for joined up infrastructure would be significantly reduced. • Insufficient evidence commissioning to support plan making. • Inability to progress important work on matter such as biodiversity, climate change or infrastructure (for example). These matters will be contained in future planning policies and betterment will only be secured when policies are adopted. • Abortive work/costs. 	Karl Roberts/ Neil Crowther

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
12 (3x4)	<ul style="list-style-type: none"> More proactive engagement with Members. A need for more regular and detailed meetings to discuss issues and implications. There will be some preparatory work taking place prior to any future decision (May/June 2023 Planning Policy Committee) on whether to resume work on the Local Plan. This is set out in the report to Planning Policy Committee in July 2022. Clear project plan to be prepared and adhered to. Regular team meetings specifically on Local Plan update and Neighbourhood Plan to review progress and to identify any difficulties arising with a view to finding solutions. Full use of Neighbourhood Planning grant. Ensure statutory consultation stages are achieved and compliant. 	12 (3x4)	<p>Political commitment must be sought and agreed on the back of these meetings.</p> <p>Develop/monitor Recruitment Strategy and call off contract support for output deliverables.</p> <p>Further regular benchmarking – monitoring and review.</p> <p>Production of a Project Initiation Document in respect of the Local Plan that will be regularly reviewed.</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 11	Place	Major Projects	<p>Failure to regenerate coastal towns within the district.</p> <p>Failure to deliver major projects in line with funder requirements meaning funding is withdrawn.</p> <p>Insufficient resources to deliver vision and aspirations for the district.</p>	<p>Lack of funding to deliver major projects.</p> <p>Decisions not made swiftly enough.</p> <p>Lack of public/ partnership acceptance of, and buy-in to strategies.</p> <p>Legal challenges increase.</p> <p>Multiple major projects running simultaneously- resources stretched.</p> <p>Impact of growth of Butlins and Chichester University influencing local market conditions.</p> <p>Other Council borrowing priorities/ increase in PWLB</p>	<p>Project fails to deliver objectives on time and/ or exceeds budget.</p> <p>Developers and invested could be deterred.</p> <p>Lack of growth.</p> <p>Possible legal issues from developer plans submitted before the Council consideration of schemes.</p> <p>Missed opportunities to invest in areas of development potential.</p> <p>Lack of visible progress with developments.</p> <p>Area turns into a commuter belt and is not regenerated leading to decline.</p> <p>Financial and reputational risk/ poor publicity.</p>	<p>James Hassett</p> <p>Philippa Dart</p> <p>Karl Roberts</p>

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				<p>rates.</p> <p>Uncertainty surrounding major Government schemes impacting the area e.g. Arundel by-pass, Chichester by- pass.</p> <p>Further uncertainty over availability of Council and external funding in the future. Initiatives delayed due to coronavirus crisis.</p> <p>Local economy impacted by the pandemic.</p> <p>Inconsistent decision making leading to projects being started and then abandoned.</p>	<p>Development of Council land (car parks etc) could mean loss of income streams.</p> <p>Further uncertainty over availability of Council and external funding in the future.</p> <p>Business closure e.g. in retail, hospitality and leisure sectors.</p> <p>The Council could face large revenue costs for aborted projects if external funding is withdrawn.</p>	
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GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
12 (3x4)	Briefings for members. Temporary employment of Head of Regeneration. Bidding for external funds (Levelling Up Fund and Funding from Coast To capital LEP. Use of external support – Project Officers, Mace and Faithfull & Gould. Communications – Press Releases. Engagement with Partners e.g.: University, Bognor Regis Regeneration Board, Town & Parish Councils.	12 (3x4)	Growth of Economy & Regeneration team to improve speed and depth of delivery. Increased briefing & reporting to members. External resourcing for support on Arundel Bypass.

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 12	Directorate of Environment and Communities	Homelessness	Increase in homelessness presentations. Homelessness demand exceeds resources available.	Not being able to meet the homelessness need. Lack of suitable Emergency Accommodation and available Temporary Accommodation. Private Sector housing market becoming more expensive. Increased complex homeless presentations. Impact of the cost-of-living increases demand. Increases in mortgage rates lead to more housing repossessions.	Inadequate resource to manage the number of presentations. Legal challenge. Children being subject to homelessness. Vulnerable people (disabled, elderly, chronically ill etc.) being subject to homelessness.	Philippa Dart/ Moh Hussein

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
16 (4x4)	Effective planning and deployment of resources. Timely decision making and effective casework management by Housing Options Officers. Regular monitoring of caseloads by the Team Leader.. Flag to Senior Management Team.	9 (3x3)	The full impact of the cost of living is not yet known. The Council will need to be reactive as the impact begins to materialise.

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 13	Directorate of Environment and Communities	Housing	Delayed or non- implementation of the new housing management system Cx.	Poor project management. Interface/API solution delays with partners. Reduced project team resources/sickness/absence/resignations. Lack of, or changes in decision making. Lack of service level expertise. Contractual issues. Additional costs.	Reputational damage. Inability to deliver services. Inability to collect payments. Inability to set rents. Inability to create and end tenancies. Reduced service to tenants. Missed opportunity for service improvement. Coming to the attention of the Housing Ombudsman & Regulator for Social Housing.	Philippa Dart/ Moh Hussein

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GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
9 (3x3)	Engagement of DTL experts in implementation of the Cx product.. Revised project team resources.	4 (2x2)	None.

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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 14	Directorate of Environment and Communities	Housing Repairs	Compliance Failings.	Housing continues to be under notice by the Regulator for Social Housing.	Regulator takes over compliance. Budget pressures to resolve with urgency. Reputational damage. Tenant complaints. Risk of serious incidents increased.	Philippa Dart/ Moh Hussein

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
12 (3x4)	Robust contract evaluation. Regular financial checks. Have alternative suppliers/ framework in reserve Appointed different gas contractors for Domestic and Commercial Contracts so have built in back up should one fail. Monthly contract review meetings.	8 (2x4)	These measures have been established. Activity is undertaken to a program and continues to be managed and reviewed closely.

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CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 15	Directorate of Environment and Communities	Housing	Ineffective complaints management.	High staff turnover. Lack of training. Lack of procedure. Lack of lessons learnt reviews.	Reputational damage. Poor relationship with tenants. Missed opportunity for service improvement. Complaints escalation. Non-compliance with the Ombudsman complaint handling code. Coming to the attention of the Housing Ombudsman & Regulator for Social Housing.	Philippa Dart/ Moh Hussein

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
9 (3x3)	Adherence to the Corporate Complaints Procedure requires the Council to have clear mechanisms in place for tenants to complain, and to respond to complaints promptly and effectively. Correct culture on complaints handling means complaint resolution is well managed and actions are clearer.	6 (2x3)	Staff training. Better awareness of the policy. Development of a complaints handling procedure. Annual training. Feedback to staff on complaints and lessons learnt. Fostering a culture of positive benefits from resident complaints.

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Arun District Council

REPORT TO:	AUDIT AND GOVERNANCE COMMITTEE – 29 November 2022
SUBJECT:	Treasury Management – Mid-year review report 2022/23
LEAD OFFICER:	Sian Southerton, Senior Accountant (Treasury)
LEAD MEMBER:	Cllr Clayden
WARDS:	All
DIRECTORATE POLICY CONTEXT:	
<p>This report supports the Annual Treasury Management Strategy Statement (TMSS).</p> <p>It is the mid year update and reviews the report considered by Audit and Governance Committee on 22 February 2022 and Full Council on 9 March 2022. The report updates Members on:</p> <ul style="list-style-type: none"> • the economic climate for the first half of the 2022/23 financial year; • the Treasury Management Strategy Statement and Annual Investment Strategy; • the Council's investment portfolio for 2022/23; • the Council's capital expenditure, as set out in the Capital Strategy, and prudential indicators; • compliance with Treasury and Prudential Limits for 2022/23; • the Council's borrowing strategy for 2022/23. 	
FINANCIAL SUMMARY:	
The financial implications arising from Treasury Management are outlined throughout the report.	

1. PURPOSE OF REPORT

The purpose of this report is to present the Council's Treasury Management activities for the year to date as at 30 September 2022 and updated to include more recent information. Also, to enable the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

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2. RECOMMENDATIONS

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

- approve the actual prudential and treasury indicators for 2022/23 contained in the report;
- note the treasury management mid-year review (this report) for 2022/23;
- note the treasury mid-year activity for the period ended 30 September 2022, which has generated interest receipts of £500,000 (1.58%) year to date, against a budget of £370,000 (0.84%) for the full year.

3. EXECUTIVE SUMMARY

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 30 September 2022. It enables the Audit and Governance Committee to scrutinise the report prior to making comment to Full Council.

4. DETAIL

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, 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."

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 30 September 2022.

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

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- 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.
- 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.
- 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 2022/23 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2022/23;
- 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 2022/23;
- A review of the Council's borrowing strategy for 2022/23.

5. CONSULTATION

Consultation has been undertaken with the Council's Treasury Advisors – Link Group

6. OPTIONS / ALTERNATIVES CONSIDERED

The Treasury Management Strategy is a mandatory requirement under the Local Government act 2003 and therefore the only option available is to accept the recommendations.

7. COMMENTS BY THE GROUP HEAD OF FINANCE SUPPORT/SECTION 151 OFFICER

Determining and pursuing a suitable Strategy will ensure that the expected budget income from interest on investments for the year 2022/23 is achieved and the risk of losing the Council's capital invested is minimised.

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8. RISK ASSESSMENT CONSIDERATIONS

- The main risks in treasury management are financial ones. These are identified in the Council's Treasury Management Practices and the main risks in these activities are:
- liquidity;
- markets or investment;
- inflation;
- credit and counterparty;
- legal and regulatory

The consequences of ignoring these are poor practices implemented, diminished interest returns, loss of capital invested, poor liquidity (funds available when required). The Council's strategies guard against most of these risks.

9. COMMENTS OF THE GROUP HEAD OF LAW AND GOVERNANCE & MONITORING OFFICER

9.1. Under Section 151 of the Local Government Act 1972, the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority including securing effective arrangements for treasury management. There are no specific legal implications arising from this report.

10. HUMAN RESOURCES IMPACT

10.1. N/a

11. HEALTH & SAFETY IMPACT

11.1. N/a

12. PROPERTY & ESTATES IMPACT

12.1. N/a

13. EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. N/a

14. CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. Investments with CCLA (diversified fund and property fund and Standard Chartered (Sustainable deposits) have positive ESG factors.

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15. CRIME AND DISORDER REDUCTION IMPACT

15.1. N/a

16. HUMAN RIGHTS IMPACT

16.1. N/a

17. FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. N/a

CONTACT OFFICER:

Name: Sian Southerton

Job Title: Senior Accountant (Treasury)

Contact Number: 01903 737861

BACKGROUND DOCUMENTS:

CIPFA'S Treasury Management in the Public Services: Code of Practice (2017); Guidance notes (2018)

(Link not available as copyright)

The Prudential Code for Capital Finance in Local Authorities (2017)

(Link not available as copyright)

[The Local Government Act 2003](#)

[Treasury Management Strategy and Annual Investment Strategy 2022/23 report to Audit and Governance Committee; 22 February 2022](#)

Arun District Council

Treasury Management Mid-year review Report 2022/23



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. These require all local authorities 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

Arun District Council

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, the longer term cash flow planning to ensure the Council can meet its capital spending operations. 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 30 September 2022.

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 2022/23 financial year;

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- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2022/23;
- 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 2022/23;
- A review of the Council's borrowing strategy for 2022/23.

3. **ECONOMICS AND INTEREST RATES**

3.1 Economics update (30 September 2022).

The second quarter of 2022/23 saw:

- GDP revised upwards in Q1 2022/23 to +0.2% q/q from -0.1%, which means the UK economy has avoided recession for the time being;
 - Signs of economic activity losing momentum as production fell due to rising energy prices;
 - CPI inflation ease to 9.9% y/y in August, having been 9.0% in April, but domestic price pressures showing little sign of abating in the near-term;
 - The unemployment rate falls to a 48-year low of 3.6% due to a large shortfall in labour supply;
 - Bank Rate rise by 100bps over the quarter, taking Bank Rate to 2.25% with further rises to come;
 - Gilt yields surge and sterling fall following the “fiscal event” of the new Prime Minister and Chancellor on 23rd September.
- The UK economy grew by 0.2% q/q in Q1 2022/23, though revisions to historic data left it below pre-pandemic levels.
 - There are signs of higher energy prices creating more persistent downward effects in economic activity. Both industrial production (-0.3% m/m) and construction output (-0.8% m/m) fell in July 2022 for a second month in a row. Although some of this was probably due to the heat wave at the time, manufacturing output fell in some of the most energy intensive sectors (e.g., chemicals), pointing to signs of higher energy prices weighing on production. With the drag on real activity from high inflation having grown in recent months, GDP is at risk of contracting through the autumn and winter months.
 - The fall in the composite PMI from 49.6 in August to a 20-month low of 48.4 in September points to a fall in GDP of around 0.2% q/q in Q3 and consumer confidence is at a record low. Retail sales volumes fell by 1.6% m/m in August, which was the ninth fall in 10 months. That left sales volumes in August just 0.5% above their pre-Covid level and 3.3% below their level at the start of the year. There are also signs that households are spending their excess savings in response to high prices.

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- The labour market remained exceptionally tight. Data for July and August provided further evidence that the weaker economy is leading to a cooling in labour demand. Labour Force Survey (LFS) employment rose by 40,000 in the three months to July (the smallest rise since February). But a renewed rise in inactivity of 154,000 over the same period meant that the unemployment rate fell from 3.8% in June to a new 48-year low of 3.6%. The single-month data showed that inactivity rose by 354,000 in July itself and there are now 904,000 more inactive people aged 16+ compared to before the pandemic in February 2020. The number of vacancies has started to level off from recent record highs but there have been few signs of a slowing in the upward momentum on wage growth. Indeed, in July, the 3my/y rate of average earnings growth rose from 5.2% in June to 5.5%.
- CPI inflation eased from 10.1% in July to 9.9% in August, though inflation has not peaked yet. The easing in August was mainly due to a decline in fuel prices reducing fuel inflation from 43.7% to 32.1%. And with the oil price now just below \$90pb, we would expect to see fuel prices fall further in the coming months.
- The rise in services CPI inflation from 5.7% y/y in July to a 30-year high of 5.9% y/y in August suggests that domestic price pressures are showing little sign of abating. A lot of that is being driven by the tight labour market and strong wage growth. CPI inflation is expected to peak close to 10.4% in November and, with the supply of workers set to remain unusually low, the tight labour market will keep underlying inflationary pressures strong until early next year.
- The MPC has now increased interest rates seven times in as many meetings in 2022 and has raised rates to their highest level since the Global Financial Crisis. Even so, coming after the Fed and ECB raised rates by 75 basis points (bps) in their most recent meetings, the Bank of England's latest 50 basis points hike looks relatively dovish. However, the UK's status as a large importer of commodities, which have jumped in price, means that households in the UK are now facing a much larger squeeze on their real incomes.
- Since the fiscal event on 23rd September, we now expect the Monetary Policy Committee (MPC) to increase interest rates further and faster, from 2.25% currently to a peak of 5.00% in February 2023. The combination of the government's fiscal loosening, the tight labour market and sticky inflation expectations means we expect the MPC to raise interest rates by 100bps at the policy meetings in November (to 3.25%) and 75 basis points in December (to 4%) followed by further 50 basis point hikes in February and March (to 5.00%). Market expectations for what the MPC will do are volatile. If Bank Rate climbs to these levels the housing market looks very vulnerable, which is one reason why the peak in our forecast is lower than the peak of 5.50% - 5.75% priced into the financial markets at present.
- Throughout 2022/23, gilt yields have been on an upward trend. They were initially caught up in the global surge in bond yields triggered by the surprisingly strong rise in CPI inflation in the US in May. The rises in two-year gilt yields (to a peak of 2.37% on 21st June) and 10-year yields (to a peak of 2.62%) took them to their highest level since 2008 and 2014 respectively. However, the upward trend was exceptionally sharply at the end of September as investors demanded a higher risk premium and expected faster and higher interest rate

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risers to offset the government's extraordinary fiscal stimulus plans. The 30-year gilt yield rose from 3.60% to 5.10% following the "fiscal event", which threatened financial stability by forcing pension funds to sell assets into a falling market to meet cash collateral requirements. In response, the Bank did two things. First, it postponed its plans to start selling some of its quantitative easing (QE) gilt holdings until 31st October. Second, it committed to buy up to £65bn of long-term gilts to "restore orderly market conditions" until 14th October. In other words, the Bank is restarting QE, although for financial stability reasons rather than monetary policy reasons.

- Since the Bank's announcement on 28th September, the 30-year gilt yield has fallen back from 5.10% to 3.83%. The 2-year gilt yield dropped from 4.70% to 4.30% and the 10-year yield fell back from 4.55% to 4.09%.
- There is a possibility that the Bank continues with QE at the long-end beyond 14th October or it decides to delay quantitative tightening beyond 31st October, even as it raises interest rates. So far at least, investors seem to have taken the Bank at its word that this is not a change in the direction of monetary policy nor a step towards monetary financing of the government's deficit. But instead, that it is a temporary intervention with financial stability in mind.
- After a shaky start to the year, the S&P 500 and FTSE 100 climbed in the first half of Q2 2022/23 before falling to their lowest levels since November 2020 and July 2021 respectively. The S&P 500 is 7.2% below its level at the start of the quarter, whilst the FTSE 100 is 5.2% below it as the fall in the pound has boosted the value of overseas earnings in the index. The decline has, in part, been driven by the rise in global real yields and the resulting downward pressure on equity valuations as well as concerns over economic growth leading to a deterioration in investor risk appetite.

3.2 Interest rate forecasts

The Council has appointed Link Group as its treasury advisors and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

The latest forecast on 27th September sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is providing a package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices.

The increase in PWLB rates reflects a broad sell-off in sovereign bonds internationally but more so the disaffection investors have with the position of the UK public finances after September's "fiscal event". To that end, the MPC has tightened short-term interest rates with a view to trying

Arun District Council

to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control, but its job is that much harder now.

Our PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps, calculated as gilts plus 80bps) which has been accessible to most authorities since 1st November 2012.

Link Group Interest Rate View 27.09.22												
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25
BANK RATE	4.00	5.00	5.00	5.00	4.50	4.00	3.75	3.25	3.00	2.75	2.75	2.50
3 month ave earnings	4.50	5.00	5.00	5.00	4.50	4.00	3.80	3.30	3.00	2.80	2.80	2.50
6 month ave earnings	4.70	5.20	5.10	5.00	4.60	4.10	3.90	3.40	3.10	3.00	2.90	2.60
12 month ave earnings	5.30	5.30	5.20	5.00	4.70	4.20	4.00	3.50	3.20	3.10	3.00	2.70
5 yr PWLB	5.00	4.90	4.70	4.50	4.20	3.90	3.70	3.50	3.40	3.30	3.20	3.20
10 yr PWLB	4.90	4.70	4.60	4.30	4.10	3.80	3.60	3.50	3.40	3.30	3.20	3.20
25 yr PWLB	5.10	4.90	4.80	4.50	4.30	4.10	3.90	3.70	3.60	3.60	3.50	3.40
50 yr PWLB	4.80	4.60	4.50	4.20	4.00	3.80	3.60	3.40	3.30	3.30	3.20	3.10

Since the above Interest Rate view, the Bank of England's Monetary Policy Committee (MPC) has increased Bank Rate to 3.00% from 2.25% and Link Group have revised their forecast to below.

Link Group Interest Rate View 08.11.22													
	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE	3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings	3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings	4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings	4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB	4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB	4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB	4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

4. TREASURY MANAGEMENT STRATEGY AND ANNUAL INVESTMENT STRATEGY UPDATE

The Treasury Management Strategy Statement (TMSS) for 2022/23, was approved by Full Council on 9 March 2022.

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.

Arun District Council

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 and with the Council's risk appetite. In the current economic climate, it is considered appropriate to keep investments short-term to cover cash flow needs, but also to seek out value available in periods up to 12 months with high credit rated financial institutions.

As shown by the interest rate forecasts in section 3.2, rates have improved dramatically during the first half of 2022/23 and are expected to improve further as Bank Rate continues to increase over the few months.

Creditworthiness.

Following the Government's fiscal event on 23rd September, both S&P and Fitch have placed the UK sovereign debt rating on Negative Outlook, reflecting a downside bias to the current ratings in light of expectations of weaker finances and the economic outlook.

Investment counterparty criteria

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

CDS prices

It is noted that sentiment in the current economic climate can easily shift, so it remains important to undertake continual monitoring of all aspects of risk and return in the current circumstances.

Investment Balances

The average level of funds available for investment purposes during the first 6 months of 2022/23 was £63m. 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 (WSSC and Sussex Police, approximately £10M per month for 12 months), receipt of grants and progress on the Capital Programme. The authority holds approximately £38M core cash balances for investment purposes (i.e. funds available for more than one year).

A full list of investments held as at 30 September 2022 and the authorised counterparties are shown in Appendices 2 and 3 respectively.

Arun District Council

Investment performance year to date at 30 September 2022

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
O/N Sonia (average)	1.22%	0.84%	1.58%	£500,000

As illustrated, the Council outperformed the benchmark by 36bps. The Council's budgeted investment return for 2022/23 is £370,000 (0.84%), and performance for the year to date is £130,000 above budget for the whole year. The estimated outturn for 2022/2023 is £1,330,000 (2.20%), a considerable increase on budget.

Based on the Covid 19 situation, the budget for 22/23 was conservative, as at the time it was believed rates would stay low, however the below factors have meant a positive improvement on the budgeted returns:

- the bank of England base rate has had 4 increases from 0.75% to 2.25%. Therefore, investments are achieving much greater rates of return than expected. (Now increased to 3%)
- higher than anticipated balances available to invest (approx. £44m budgeted, but currently £63m average balances year to date).

Fund investments

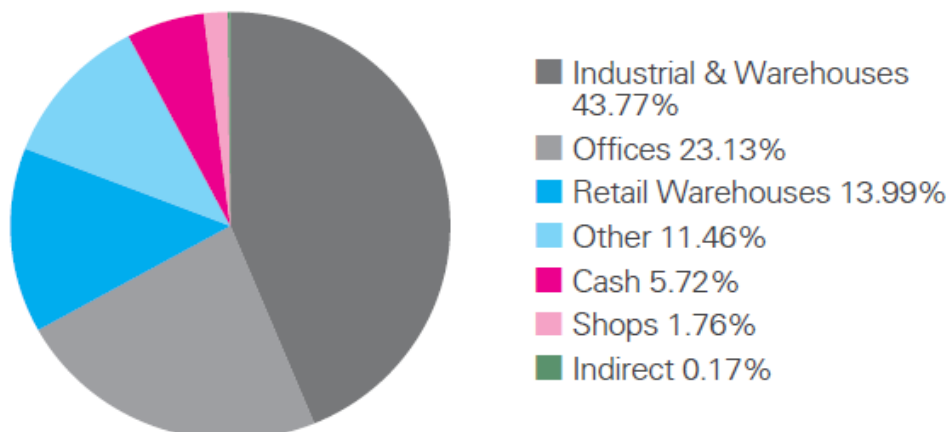
Other than cash investments the Council currently invests in the below funds;

- Money Market Funds (MMFs)
- Multi-Asset Income Funds (MAIFs) – *Diversified Fund Valued at £1.9m at 30 September 2022 (£2m invested)*
- Property Funds (asset allocation below)- *Valued at £6m at 30 June 2022 (awaiting September valuation)*

Currently £5M is invested in the CCLA (Churches, Charities and Local Authorities) property fund achieving a rate of return of approx. 3.77% year to date, and £2m is invested in the CCLA diversified fund with a rate of return of approx. 3.09% These continue to enhance the returns.

Arun District Council

Asset allocation at 30 September 22



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.

Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the period ended 30 September 2022.

5. **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 4 remaining loans are shown in Appendix 4.

The Council's capital financing requirement (CFR) at 31 March 2022 was £48.09m. 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 external borrowings of £35.46m (PWLB) which relates to the HRA Self-Financing settlement (originally £70.9m) and has utilised £13.94 of cash flow funds instead of borrowing externally (as at 31 March 2022). 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.

Arun District Council

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

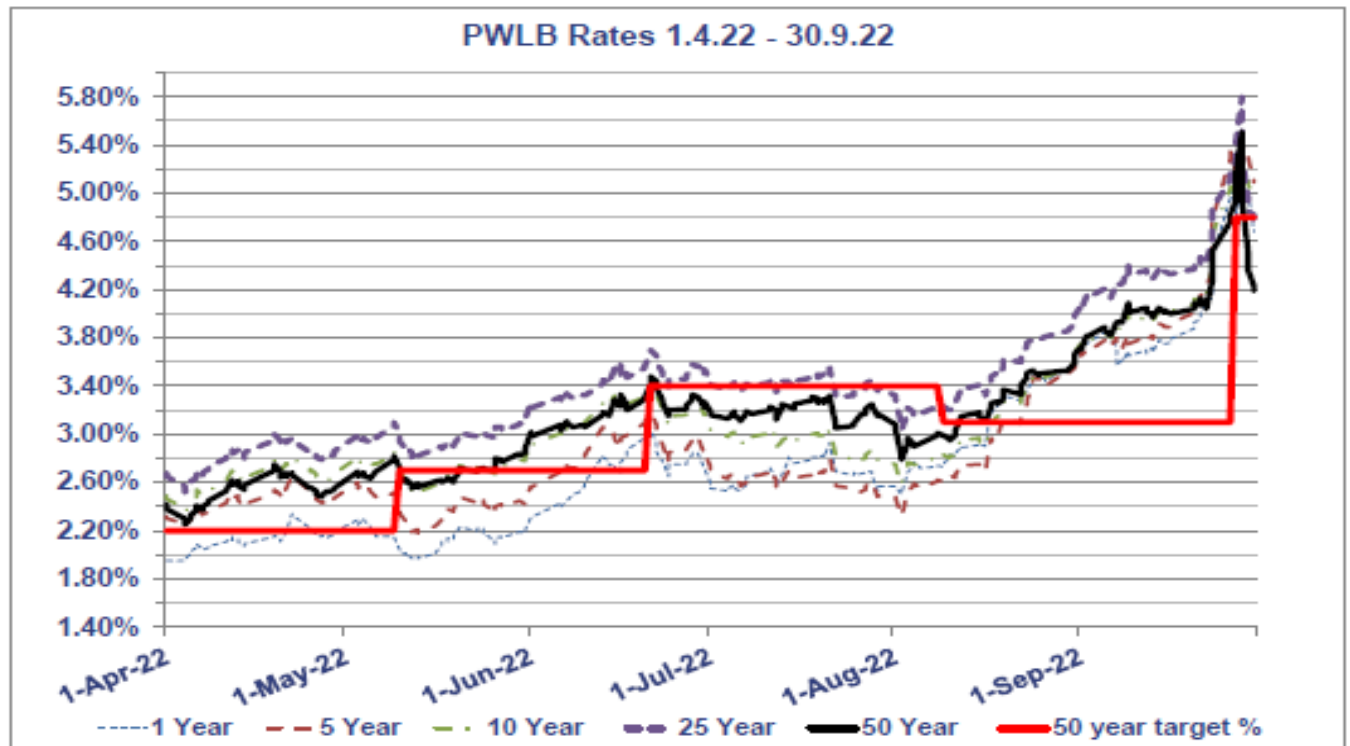
It is anticipated that no further external borrowing will be undertaken during this financial year.

PWLB maturity certainty rates (gilts plus 80bps) year to date to 30th September 2022

Gilt yields and PWLB rates were on a rising trend between 1st April and 30th September.

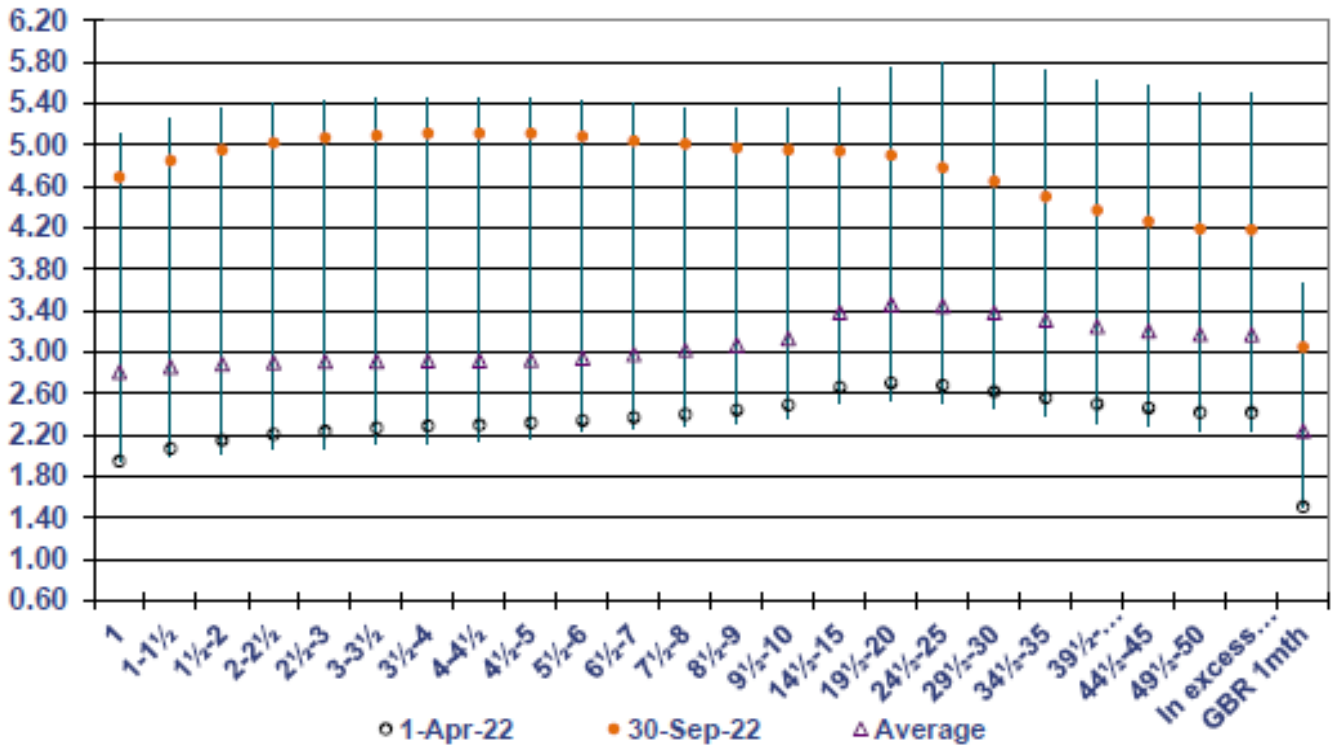
The 50-year PWLB target certainty rate for new long-term borrowing started 2022/23 at 2.20% before increasing to 4.80% in September. (Please note, however, that we see PWLB rates trending downwards through 2023 and 2024.)

PWLB RATES 01.04.22 - 30.09.22



Arun District Council

PWLB Certainty Rate Variations 1.4.22 to 30.9.22



HIGH/LOW/AVERAGE PWLB RATES FOR 01.04.22 – 30.09.22

	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.95%	2.18%	2.36%	2.52%	2.25%
Date	01/04/2022	13/05/2022	04/04/2022	04/04/2022	04/04/2022
High	5.11%	5.44%	5.35%	5.80%	5.51%
Date	28/09/2022	28/09/2022	28/09/2022	28/09/2022	28/09/2022
Average	2.81%	2.92%	3.13%	3.44%	3.17%
Spread	3.16%	3.26%	2.99%	3.28%	3.26%

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)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

Arun District Council

6. 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 £58m was not breached in the first half of the year (2022/23).

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 £53m was not breached in the first half of the year (2022/23).

During 2022/23, 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 2022 Actual £000	2022/23 Original Budget £000	2022/23 Current Budget £000	30 Sept 2022 Position £000
Capital Expenditure				
• Non – HRA	4,341	3,939	*31,054	3,321
• HRA	6,940	8,351	**19,277	2,712
• TOTAL	11,280	12,290	50,330	6,033
Total Debt	35,460	35,460	35,460	35,460
Capital Financing Requirement at 31 st March:				
• Non-HRA	(4,442)	(3,655)	(3,757)	(3,757)
• HRA	52,531	54,475	56,515	53,926
• Total	48,089	50,820	52,758	50,169
Over / (under) borrowing	(12,629)	(15,360)	(17,298)	(14,709)

* £19m due to Levelling Up Fund for Alexander Theatre and Littlehampton Seafront, £3m public realm.

** £11m due to Council House New Build-stock development.

Arun District Council

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.

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.

Prudential and treasury indicators

1. PRUDENTIAL INDICATORS	2021/22	2022/23	2022/23
Extract from budget and rent setting report	Actual	Original	Position as at 30 th Sept
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	4,341	3,939	3,321
HRA	6,940	8,351	2,712
TOTAL	11,280	12,290	6,033
Ratio of financing costs to net revenue stream			
Non - HRA	-2.06%	-1.88%	-1.97
HRA	31.35%	*15.58%	15.92
Capital Financing Requirement			
Non – HRA	-4,442	-3,655	-3,757
HRA	52,531	54,475	53,926
TOTAL	48,089	50,820	50,169
Annual change in Cap. Financing Requirement			
Non – HRA	-219	787	684
HRA	-442	5,128	**1,395
TOTAL	-661	5,915	2,079

* Reduced VRP for HRA debt

** Reduced as sheltered accommodation pushed back to 2023-24

2. TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2022/23
	Actual	Original	Actual at 30th September 22
	£'000	£'000	£'000
Authorised Limit for external debt			
Borrowing	54,000	53,000	53,000
Other long term liabilities	1,000	5,000	5,000
TOTAL	55,000	58,000	58,000
Operational Boundary for external debt			
Borrowing	49,000	48,000	48,000
other long term liabilities	1,000	5,000	5,000
TOTAL	50,000	53,000	53,000
Actual external debt	35,460	35,460	35,460
Upper limit for total principal sums invested for over 364 days	18,000	24,000	24,000

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 30/09/22	lower limit	upper limit
under 12 months	0%	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	25%	0%	60%
10 years and above	75%	0%	100%

INVESTMENTS at 30 September 2022

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	807	Yorkshire Building Society	20/10/2021	20/10/2022	£4,000,000.00	0.56
Fixed Term Deposit	811	Goldman Sachs	22/11/2021	22/11/2022	£2,000,000.00	0.825
Fixed Term Deposit	835	Qatar National Bank	06/06/2022	06/12/2022	£1,000,000.00	1.820
Fixed Term Deposit	819	Goldman Sachs International	14/01/2022	14/12/2022	£1,000,000.00	0.9850
Fixed Term Deposit	817	Standard Chartered Bank - Sustainable Deposits	06/01/2022	05/01/2023	£1,000,000.00	0.8200
Fixed Term Deposit	818	Goldman Sachs International	07/01/2022	05/01/2023	£1,000,000.00	0.9300
Fixed Term Deposit	839	First Abu Dhabi Bank	07/07/2022	05/01/2023	£1,000,000.00	2.140
Fixed Term Deposit	838	Qatar National Bank	06/07/2022	06/01/2023	£1,000,000.00	2.325
Fixed Term Deposit	843	Nationwide Building Society	28/07/2022	06/02/2023	£1,000,000.00	2.000
Fixed Term Deposit	844	National Westminster Bank	28/07/2022	06/02/2023	£1,000,000.00	2.200
Fixed Term Deposit	845	Qatar National Bank	11/08/2011	13/02/2023	£1,000,000.00	2.715
Fixed Term Deposit	834	Goldman Sachs International	23/05/2022	23/02/2023	£6,000,000.00	1.9800
Fixed Term Deposit	849	Santander UK Plc	25/08/2022	24/02/2023	£1,000,000.00	2.790
Fixed Term Deposit	832	Standard Chartered Bank - Sustainable Deposits	15/05/2022	06/03/2023	£2,000,000.00	1.7900
Fixed Term Deposit	821	Close Brothers Limited	21/03/2022	21/03/2023	£4,000,000.00	1.5000
Fixed Term Deposit	825	Standard Chartered Bank - Sustainable Deposits	31/03/2022	31/03/2023	£1,000,000.00	1.9400
Fixed Term Deposit	853	Qatar National Bank	28/09/2022	05/04/2023	£4,000,000.00	4.685
Fixed Term Deposit	828	Standard Chartered Bank - Sustainable Deposits	06/04/2022	06/04/2023	£2,000,000.00	1.94
Fixed Term Deposit	829	Standard Chartered Bank - Sustainable Deposits	14/04/2022	14/04/2023	£1,000,000.00	1.88
Fixed Term Deposit	830	Standard Chartered Bank - Sustainable Deposits	21/04/2022	21/04/2023	£1,000,000.00	1.9500
Fixed Term Deposit	846	National Westminster Bank	11/08/2022	11/05/2023	£1,000,000.00	2.500
Fixed Term Deposit	836	National Westminster Bank	22/06/2022	22/06/2023	£1,000,000.00	2.550
Fixed Term Deposit	842	First Abu Dhabi Bank	21/07/2022	21/07/2023	£1,000,000.00	3.010
Fixed Term Deposit	840	Close Brothers Limited	10/08/2022	10/08/2023	£1,000,000.00	2.800
Fixed Term Deposit	848	Santander UK Plc	25/08/2022	25/08/2023	£2,000,000.00	3.470
Fixed Term Deposit	850	Standard Chartered Bank - Sustainable Deposits	26/09/2022	26/09/2023	£1,000,000.00	4.420
Fixed Term Deposit	851	Standard Chartered Bank - Sustainable Deposits	28/09/2022	28/09/2023	£2,000,000.00	5.250
Fixed Term Deposit	852	Goldman Sachs International	28/09/2022	28/09/2023	£1,000,000.00	5.450
Fixed Term Deposit	854	Santander UK Plc	28/09/2022	28/09/2023	£2,000,000.00	5.250
Money Market Fund	110000	Federated			£4,000,000.00	*2.0814
Money Market Fund	99999	Fidelity			£4,000,000.00	*2.0806
Money Market Fund	120000	Aberdeen Standard			£1,420,000.00	*2.135
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£10,000.00	*1.9551
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*3.7062
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*2.5471
					£65,430,000.00	

* rates at 30-9-22

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

		<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
Min Criteria	Fitch	AA-	F1+
	Moody	Aa3	P-1
	S&P	AA-	A-1+
All Local Authorities			
Bank of Nova Scotia (CAN)			
DBS Bank Ltd (SING)			
National Australia Bank			
Oversea-Chinese Banking Corp Ltd (SING)			
JP Morgan Chase			
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</u> <u>Term</u>	<u>Short</u> <u>Term</u>
Min Criteria	Fitch	A+	F1
	Moody	A1	P-2
	S&P	A+	A-1
Barclays Bank plc (RFB & NRFB) (UK)			
Bank of Scotland PLC (RFB) (Lloyds Banking Group)			
Goldman Sachs International Bank (UK)			
HSBC Bank plc (UK)			
Standard Chartered Bank (UK)			
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</u> <u>Term</u>	<u>Short</u> <u>Term</u>
Min Criteria	Fitch	A-	F1
	Moody	A3	P-2
	S&P	A-	A-1
Nationwide Building Society (UK)			
Close Brothers (UK)			
Qatar National Bank (Qatar)			

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)

Category 6 - Limit of £11 million for each institution - Maximum investment period - 3 Years banks effectively nationalised by UK government

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

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

- Money Market Funds (MMF's), (CNAV, LVNAV, VNAV) & Enhanced MMF's
- Government Liquidity Funds

Fitch NAV

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

Arun District Council - Loans at 30 September 2022

Reference	Lender	Start Date	Maturity Date	Principal	Rate
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%

35,460,000

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2022/2023**

Date of Meeting: 29 November 2022		
Subject	Lead Officer / Member	Comments
Treasury Management		
Treasury Management Mid-Year Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (18 Jan 2023)
Internal Audit		
Progress Against The Audit Plan	Southern Internal Audit Partnership	
Governance Framework		
Risk Management Framework	Finance & Risk Manager	
Updated Corporate Risk Register 2022/23	Finance & Risk Manager	
Work Programme		
To note the rolling work programme for 2022/23	TBC	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2022/2023**

Date of Meeting: 28 February 2023		
Subject	Lead Officer / Member	Comments
Statement of Accounts		
Annual Statement of Accounts 2021/22 and Letter of Representation	Group Head of Finance	TBC
Final Annual Governance Statement 2021/22	Group Head of Finance	TBC
Approval of Accounting Policies 2022/23	Financial Services Manager	If CIPFA advise of any changed requirements, then an update will be provided at the next meeting
External Audit		
Audit Results Report	Ernst & Young	TBC - Covering the audit of the 2021/22 Accounts
Treasury Management		
Treasury Management Strategy Statement and Annual Investment Strategy	Senior Accountant (Treasury Management)	For approval by Full Council (15 Mar 2023)
Internal Audit		
Internal Audit Charter	Southern Internal Audit Partnership	
Annual Internal Audit Plan 2023/24	Southern Internal Audit Partnership	
Progress Against The Audit Plan	Southern Internal Audit Partnership	
Other Items		
Progress update on housing tenancy fraud	Neighbourhood Services Manager	Annual update as requested by the Committee
Work Programme		
To agree the rolling work programme for 2023/24	TBC	

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 – 2022/2023**

Date of Meeting: (tbc)		
Subject	Lead Officer / Member	Comments
Statement of Accounts		
Draft Annual Governance Statement 2022/23	Group Head of Finance	Draft version to be considered by Committee (final version will be presented with the Annual Accounts)
External Audit		
Auditor's Annual Report	Ernst & Young	Covering the audit of the 2021/22 Accounts
Audit Planning Report	Ernst & Young	Covering the audit of the 2022/23 Accounts TBC)
Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chair	Letter to be sent to external audit (TBC)
Governance Framework		
Local Code of Corporate Governance	Group Head of Finance	
Treasury Management		
Treasury Management Annual Report 2022/23	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council (xx Sep 2023)
Internal Audit		
Annual Internal Audit Report & Opinion 2022/23	Southern Internal Audit Partnership	
Other Items		
Counter-Fraud Report 2022/23	TBC	
Chair's Annual Report To Council	Committee Chair	To be presented to Full Council
Annual Review Of The Partnerships Register	Group Head of Organisational Excellence (TBC)	Requested by the Committee at its November 2021 meeting
Annual update on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA)	TBC	
Work Programme		
To agree the rolling work programme for 2023/24	TBC	Updates, etc.

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2022/2023**

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 presented at Full Council in January 2021, with a full review due in 2022/23)

Relevant policy reviews, updates, etc.