



Public Document Pack

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14 July 2023

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 25 July 2023 at 6.00 pm** and you are requested to attend.

Members: Councillors Walsh (Chair), O'Neill (Vice-Chair), P. Bower, Goodheart, Haywood, Jones, May, Oppler, Purser, Turner 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 **Tuesday 18 July 2023** in line with current Committee Meeting Procedure Rules.

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

A G E N D A

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

3. MINUTES

(Pages 1 - 12)

The Committee will be asked to approve as a correct record the Minutes of the Audit & Governance Committee held on 28 February 2023.

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. START TIMES

The Committee is required to agree its start times for meetings for the year 2023/24.

(Pages 13 - 18)

7. MEMBERS' ALLOWANCES SCHEME – PROGRESSING THE NEXT REVIEW

Now that the Committee system has been in place for some time, since May 2021, it is timely to undertake a review of all allowances, and because the last full review was undertaken in July 2019.

It is also timely to undertake this review following the District Elections held on 4 May 2023.

[5 Minutes]

8. ANNUAL GOVERNANCE STATEMENT 2022/23 AND CODE OF CORPORATE GOVERNANCE

(Pages 19 - 56)

This report presents the draft Annual Governance Statement for 2022/23 which is required to accompany the unaudited Annual Accounts

[20 Minutes]

9. COUNTER-FRAUD REPORT 2022/23

(Pages 57 - 72)

The Audit & Governance Committee is the designated body for oversight of the Council's anti-fraud culture.

As part of its agreed workplan, an annual report on counter-fraud activity is presented to update the Committee.

[10 Minutes]

10. TREASURY MANAGEMENT ANNUAL REPORT 2022/23

(Pages 73 - 98)

During 2022/23, the Council complied with its legislative and regulatory requirements. Including confirmation that the authorised limit was not breached. The actual prudential and treasury indicators are to be found in the body of this report and in appendix 1.

[25 Minutes]

11. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23

(Pages 99 - 128)

The Annual Internal Audit Report & Opinion provides a summary of audit work undertaken during the year (2022-23) to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work

completed, it is the Chief Internal Auditor's opinion that the Council's framework of governance, risk management and control is 'reasonable'.
[15 Minutes]

12. CORPORATE RISK REGISTER UPDATE

(Pages 129 -
190)

The Corporate Risk Register is reviewed and updated in line with the requirements of the Council's Risk Management Framework.

Quarterly updates reflecting revisions are reported to the Audit and Governance Committee, this report highlights the changes since the last update.

It is proposed that the Committee considers and notes the revised Corporate Risk Register.
[20 Minutes]

13. WORK PROGRAMME

(Pages 191 -
194)

The Committee is required to note the Work Programme for 2023/24.
[5 Minutes]

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

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

AUDIT & GOVERNANCE COMMITTEE

28 February 2023 at 10.00 am

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

716. APOLOGIES

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

717. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

718. MINUTES

The Minutes of the meeting held on 29 November 2022 were approved by the Committee. These would be signed at the end of the meeting.

719. 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.

720. PUBLIC QUESTION TIME

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

721. MEMBERS' ALLOWANCES - EXTENSION OF APPOINTMENTS FOR THE INDEPENDENT REMUNERATION PANEL

Upon invitation of the Chair, the Group Head of Law & Governance introduced the report, which sought the Committee's approval to extend the terms of office for all five members of the Independent Remuneration Panel (IRP) until 31 March 2024. The IRP were appointed to recommend Members' allowances to Full Council. Officers had also noticed a gap in the Constitution, which was set out in Paragraph 4.3. It was clear from wording in the Constitution that the intention had been that the appointment of Members of the IRP, and any removal of Panel Members, was to be delegated to the Chief Executive. Members were asked to recommend these changes, as set out in Paragraph 4.5 of the report, to the Constitution Working Party.

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Members then took part in a question-and-answer session and the following points were made:

- What circumstances may arise that would require the Chief Executive to remove an IRP Member? The Group Head of Law & Governance gave an example that a Member of the Independent Remuneration Panel may not be a Councillor, so if they became a Councillor during their term, they would need to cease their role on the IRP.
- Could the Committee extend the term for a further 3 years? The Group Head of Law & Governance explained that the IRP should be refreshed every 3 years, so it would be important to go through the process of reappointing the Panel.

The recommendations were proposed by Councillor Chace and seconded by Councillor Bennett.

The Committee

RESOLVED

That they agree to extend the terms of office for all five members of the Independent Remuneration Panel until 31 March 2024; and

RECOMMEND TO THE CONSTITUTION WORKING PARTY

That it considers recommending to Full Council that an additional delegation be granted to the Chief Executive (regarding appointments to the Independent Remuneration Panel) as per the proposed wording set out at Paragraph 4.5 of the report.

722. AUDIT RESULTS REPORT

The Chair invited the Associate Partner, Kevin Suter and the Audit Manager, James Stuttaford, from Ernst & Young LLP to present the Audit Results Report. They explained the purpose of the report was to set out the key issues from their external audit, therefore Members could take a degree of assurance on whether or not to approve the Council's accounts. Their audit work was substantially progressed, and they had been able to draw sufficient conclusions to be able to present the report to Committee. For various reasons they had been unable to complete their review procedures in advance of the meeting, so they would not be in a position for the audit to be signed off today. This meant there would be an amended Officer recommendation for the next report. Key areas of the document were highlighted to Members.

Members then took part in a question-and-answer session and the following points were made:

- It was noted that any uncorrected misstatements greater than £105,000 were reported, but were those less than this figure taken into account? The Associate Partner of Ernst & Young LLP explained that they kept a close eye on this and there was a running total.
- With regard to assets that had been overvalued, would Officers be made aware? It was explained the valuation judgment was at a point in time and was subject to change as valuations fluctuated and contracts changed, therefore this did not mean the decision to purchase was wrong. The Group Head of Finance and Section 151 Officer explained that the valuations changes were not material, and also did not affect the Council's cash until it came to sell the asset.

This was an item for information only.

723. ANNUAL STATEMENT OF ACCOUNTS 2021/22 AND LETTER OF REPRESENTATION

Upon invitation of the Chair, the Group Head of Finance and Section 151 Officer introduced the report. He explained the three recommendations and that the third recommendation had changed slightly, and now included the words 'subject to the completion of the final audit procedures, with any resulting changes delegated to the Section 151 Officer, in consultation with the Chair of the Audit & Governance Committee, for resolution.'. This was, as mentioned by the Associate Partner from Ernst & Young LLP in the previous item, because the audit was not yet complete. He explained the Council expected to get an unqualified opinion, which was a positive thing and something all Councils wanted, as otherwise reputational damage could be done. The Letter of Representation was a broad statement written by management to the auditors, which said that management took responsibility for the accuracy of the accounts, and gave the auditors confidence in the accounts. The statement of accounts were required by law. They were not the same as the management accounts which reported the Council's performance against the budget. The Statement of Accounts were in compliance with accounting rules and regulations.

Key points were highlighted including the Expenditure and Funding Analysis statement on page 90 of the report and the Comprehensive Income and Expenditure statements on page 91 of the report. The comparator figures had been restated to reflect the change from the Cabinet to the Committee structure of the Council. There were a few differences in the accounts, which was not unusual, and they had fallen below the material threshold so had not been changed.

There were no questions from Members.

The recommendations were proposed by Councillor Bennett and seconded by Councillor Wallsgrove.

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The Committee

RESOLVED that

- 1) the findings of the Ernst & Young LLP Audit Results Report (previous item on the agenda) be noted;
- 2) the Management representation letter on behalf of the Council in appendix 1, be approved; and
- 3) the Statement of Accounts for the financial year ended 31 March 2022 contained in appendix 2 be approved, subject to the completion of the final audit procedures, with any resulting changes delegated to the Section 151 Officer, in consultation with the Chair of the Audit & Governance Committee, for resolution.

724. FINAL ANNUAL GOVERNANCE STATEMENT 2021/22

Upon invitation of the Chair, the Internal Audit Manager introduced the report, which presented the final Annual Governance Statement for 2021/22. This was a mandatory document required to accompany the audited Annual Accounts. The draft Annual Governance Statement had been noted by the Committee at its July 2022 meeting, and had been presented to external audit who had raised no issues. The Annual Governance Statement covered the period of accounts from April 2021 – March 2022. There had since been significant inflation for the year 2022-23, which would be reflected in the Annual Governance Statement for the next year, which would be presented to Committee at its next meeting.

There were no questions from Members.

The recommendations were proposed by Councillor Chace and seconded by Councillor Bennett.

The Committee

RESOLVED

That the final version of the Council's Annual Governance Statement for 2021/22 be approved

725. UPDATE ON APPOINTMENT OF EXTERNAL AUDITOR

Upon invitation of the Chair, the Internal Audit Manager introduced the report which set out the current position regarding the appointment of an external auditor to the Council for the 5-year period from 2023/24 to 2027/28. Public Sector Audit Appointments (PSAA) Ltd had now completed the appointment exercise, and Officers had been informed that Ernst & Young LLP would be appointed again to cover this period. Fees had yet to be agreed.

There were no questions from Members.

- The Committee noted the report.

726. INTERNAL AUDIT CHARTER 2023/24

The Chair welcomed Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), who then presented the report to the Committee. The Internal Audit Charter was a formal document that defined the purpose of internal audit activity, the authority and responsibility consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The Public Sector Internal Audit Standards required the Charter to be reviewed and approved annually. There were no significant changes to the document as presented last year.

There were no questions from Members.

The recommendation was proposed by Councillor Chace and seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That the Internal Audit Charter be approved

727. INTERNAL AUDIT ANNUAL PLAN 2023-24

The Chair invited Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), to present the report to the Committee. The Internal Audit Plan provided the mechanism through which the Chief Internal Auditor could ensure most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements. This report presented the plan for 2023/24 for approval by the Committee. In drawing up the plan, the Senior Audit and Counter Fraud Manager from Southern Internal Audit Partnership had met with all Group Heads, Directors and the

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Chief Executive to go through the proposals for the year. It was envisaged there would be some changes over the course of the year to the Plan, which would be done in consultation with the Senior Management Team and would be brought to the Committee via the regular progress reports.

There were no questions from Members.

The recommendation was proposed by Councillor Chace and seconded by Councillor Bennett.

The Committee

RESOLVED

That the Internal Audit Plan 2023-24 be approved

728. INTERNAL AUDIT PROGRESS JANUARY 2023

The Chair invited Iona Bond, Senior Audit and Counter Fraud Manager, from Southern Internal Audit Partnership (SIAP), to present the report to the Committee. The report outlined the progress of the Council's Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2022. Very good progress was being made and they were on track to substantially deliver the revised plan by the end of March, and all individual assignments would be completed in time for the annual report that would be presented to the Committee in July. Regarding the analysis of 'Live' audit reviews, there were very few management actions left to be completed. There had been no reports published concluding a "Limited" or "No" assurance opinion to date for 2022/23. The rolling work programme was looking very good.

The Vice-Chair was pleased to see that action was being taken on Cyber Security, and that there was nothing vitally urgent around health and safety. There were no questions from Members.

The Committee noted the report.

729. TREASURY MANAGEMENT - STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2023/24

Upon invitation of the Chair, the Senior Accountant (Treasury Management) introduced the report, which was the Annual Treasury Management Strategy relating to the 2023/24 activities. This required the approval of Full Council and was a mandatory requirement under the Local Government act 2003. The Annual Treasury Management Strategy was the management of the borrowing, investments and cash flows, and the

effective control of the risks associated with those activities; security, liquidity and yield in that order. The main changes were due to the new treasury management and prudential codes introduced in December 2021.

The Senior Accountant went on to highlight a few key areas from the body of the report as follows:

- 1.2.2 (page 269-270) - there would be 4 reports per year starting from 2023/24. The additional report would not be required to go to Full Council but was for scrutiny in the September Committee meeting.
- 1.4 (page 271-272) - with the new codes there was even more emphasis on training for Members and Officers responsible for Treasury Management. On 22 June 2023 a 1.5 hour training session would be taking place, and work was being done to develop a self-assessment form for Members to complete to assess their knowledge and skills.
- 2.3 (page 275-276) - an additional performance indicator, Liability Benchmark, had been introduced as a result of the new codes. A liability benchmark below the current maturity profile, as was the case for Arun, highlighted a no additional borrowing need due to the level of investments.
- 3.7 (page 286) - there were potential new options for borrowing if required.
- 4.1 (page 288-289) - as a result of the change in accounting standards for 2022/23 under IFRS 9, override, this had been extended to 31 March 2025 which impacted any losses or gains, therefore they would not be taken to the General Fund in 2023/24.
- 4.2 (page 289) - Environmental, Social and Governance (ESG) was a new area as a result of the code. These areas would be considered and work was being done to assess each counterparty.
- 4.5 (Page 294) - listed all changes as a result of the new codes. This also contained the addition of 2 counterparties and the removal of 1.
- 4.6 (Page 295) – The Link Group Benchmarking Club showed Arun's returns were just above the upper returns guidelines, and were performing well compared to other councils.

Councillor Wallsgrove felt Abu Dhabi should be removed from the list of counterparties which she said was due to their use of child labour, investments in palm oil and paper products, their failure to cut all reduction on the Paris Agreement on Climate Change and their government committing human rights violations. She felt Arun District Council should not be investing in this kind of bank. She Proposed an amendment to recommendation 2) which was that Abu Dhabi be added to the list of Removals of Counterparties. This amendment was seconded by Councillor Bennett.

The Group Head of Finance and Section 151 Officer explained Officers worked with the treasury management advisors for advice, which was why Abu Dhabi was on the list. He explained Members were able to remove Abu Dhabi from the list, but as a Council the priority was to look at Security, Liquidity and Yield. Members should be aware that they may not be able to achieve a better investment rate.

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The Chair invited debate on the amendment and one Member made the point that they felt security of investments was important, but it was a comparatively small amount invested, and it was felt there were more ethical investments and the amendment was supported.

The Seconder fully supported this amendment and felt the human rights issues should take priority. The Council were investing taxpayer's money and it was important they were looking at investing in not only financially safe areas, but safe areas in terms of the human population as well.

Councillor Wallsgrove, as the Proposer, explained the Council should be looking after people's human rights, and the abuse some people faced was horrific.

A recorded vote on the amendment was requested. Those voting for were Councillors Bennett, Brooks, Oliver-Redgate and Wallsgrove. No Councillors voted against. Councillors Chace, Chapman and Clayden abstained from voting. The vote was therefore declared CARRIED

Turning to the substantive, the Chair invited questions from Members and the following points raised:

- It was understood there was still £6m invested with Qatar National Bank, and £1m with Abu Dhabi, would these be withdrawn and money returned to Council funds? The Group Head of Finance and Section 151 Officer would provide a written response to this after the meeting.
- One Member pointed out these were fixed term investments and it was not expected they would be withdrawn earlier and investments lost.

Councillor Bennett believed it was possible to withdraw from these investments early, and he Proposed an amendment to the recommendations, which was that a fourth recommendation be added. This would be as follows 'Officers be requested to enquire into the early withdrawal of all investments in Qatar National Bank and First Abu Dhabi Bank and report back to the Audit & Governance Committee at its next meeting with the findings.'

This amendment was seconded by Councillor Wallsgrove, who expressed the view that the Council should be looking at the morals of the banks being investing in, and felt it was not right to invest public money in companies that abused human rights.

A brief debate took place in which one Member felt this would be very difficult to support, as he understood why the Council would want to remove these counterparties from future investments, but did not feel it was right to incur fees using Council Tax payer's money to withdraw early. Another Member expressed the view that nothing would happen until the report had come back, and so it was felt a reasonable request.

The Group Head of Finance and Section 151 Officer confirmed that this amendment was that a report be brought back to the Audit & Governance Committee with information around the charges and implications of early withdrawal from

investments with the Qatar National Bank and Abu Dhabi, some of which would have already matured by the next meeting.

A recorded vote on the amendment was requested. Those voting for were Councillors Bennett, Brooks, Chapman, Clayden, Oliver-Redgate, Wallsgrove. No Councillors voted against. Councillor Chace abstained from voting. The vote was therefore declared CARRIED

The substantive recommendations were proposed by Councillor Bennett and seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That Officers be requested to enquire into the early withdrawal of all investments in Qatar National Bank and First Abu Dhabi Bank and report back to the Audit & Governance Committee at its next meeting with the findings.

RECOMMEND TO FULL COUNCIL that

1. The Treasury Management Strategy Statement for 2023/24 to 2025/26 be approved and adopted.
2. The Annual Investment Strategy for 2023/24 to 2025/26, including the addition of two new counterparties and removal of two, be approved and adopted;

Additions:

Australia & New Zealand Banking Group (ANZ)
National Bank of Canada

Removal:

Qatar National Bank
Abu Dhabi

3. The Prudential Indicators within the TMSS and AIS for 2023/24 to 2025/26 as contained in appendix 1 and the body of the report, be approved.

730. APPROVAL OF ACCOUNTING POLICIES 2022/23

Upon invitation of the Chair, the Group Head of Finance and Section 151 Officer introduced the report. He explained that the Committee was requested to approve the accounting policies that would be applied to the Statement of Accounts 2022/23. There were no major changes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Accounts Code of Practice for 2022/23, and therefore no changes to the Council's accounting policies from 2022/23.

There were no questions from Members.

The recommendation was proposed by Councillor Bennett and seconded by Councillor Oliver-Redgate.

The Committee

RESOLVED

That the accounting policies that will be applied to the Statement of Accounts 2022/23, be approved.

731. PROGRESS UPDATE ON HOUSING TENANCY FRAUD

Upon invitation of the Chair, the Neighbourhood Services Manager introduced the report. She explained that the calculations around how much a Council was saving each time a property was identified and put back into the correct use, had increased to £93,000. The majority of these properties were coming to attention due to concerns around illegal subletting, and these were often found in an abandoned state. She then explained the figures to the Committee. The Housing Tenancy Fraud Officer was fully integrated within the Housing Officer team, and Housing Officers were all very aware of the potential for fraud. The total savings to the Council were very large, and recovering one property more than covered the Housing Tenancy Fraud Officer's salary, so the value to the Council of the service, was clearly evidenced.

The Chair felt this was a very positive report, and asked that congratulations be given to the Housing Tenancy Fraud Officer for her great work. He felt that taking homes from people that did not need them or were not eligible for them, and giving them to people in desperate need had far more benefits than just the cost element. The most important thing was that people that needed the homes were being given them. He asked whether they monitored subletting and overcrowding.

The Neighbourhood Services Manager confirmed that any suspicious activity where it was believed the occupants were not the original occupants or the property being used by occupants they were not suitable for, would raise alarm and this would be investigated. She explained there were far more properties this year being brought

back into use for the benefit of the community than in previous years, which was largely down to the vigilance of the Officers.

One Member asked the average turn around time for getting a property back into use. The Neighbourhood Services Manager explained the average period from receiving the keys back to re-letting the property was around 73 days, which was reflective of the amount of work required to the properties when they came back to the Council.

Other Members expressed their praise for such a positive report and great work.

The Committee noted the report.

732. WORK PROGRAMME

The Committee noted the Work Programme.

At the end of the meeting the Chair and Vice Chair reflected that having sat on the Audit & Governance Committee since 2007, which they had enjoyed, this was to be their last meeting on the Committee. They thanked the Audit Team, the Finance department and Committee Services Team for all their help over the years and would miss sitting on the Audit & Governance Committee.

(The meeting concluded at 11.22 am)

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Arun District Council

REPORT TO:	Audit & Governance Committee – 25 July 2023
SUBJECT:	Members' Allowances Scheme – Progressing the Next Review
LEAD OFFICER:	Daniel Bainbridge, Group Head of Law and Governance (Monitoring Officer)
LEAD MEMBER:	Cllr James Walsh
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: To comply with The Local Authority (Members' Allowances) (England) Regulations 2003 in terms of how regularly a council should conduct a review of its Members' Allowances Scheme, which should be reviewed at least every four years.	
DIRECTORATE POLICY CONTEXT: Responsibility for these matters sits within the remit of the Group Head of Law & Governance.	
FINANCIAL SUMMARY: There are no financial implications associated with this report.	

1. PURPOSE OF REPORT

- 1.1 The Audit & Governance Committee has responsibility for reviewing Councillor Allowances based on reports received from the Council's Independent Remuneration Panel (IRP) created under the Local Authorities (Members' Allowances) Regulations 2003.
- 1.2 The last full review of the Members' Allowances Scheme was approved by Council in July 2019. An interim review was undertaken by the IRP in November 2020 and reviewed the Special Responsibility Allowances of the Leader and Deputy Leader of the Council and Cabinet Members in preparing the Council's move from a Leader and Cabinet form of governance to a Committee system. This review examined the Special Responsibility Allowances (SRAs) that should be paid to the Service Committee Chairs and Vice-Chairs forming the structure. The recommendations approved by the Audit & Governance Committee were then approved by Council in January 2021.

2. RECOMMENDATIONS

- 2.1 The Audit & Governance Committee is requested to:

- (1) Note the approach to be taken by the Independent Remuneration Panel for its next review in terms of the timetable proposed; and

(2) Outline any areas that it wishes the Panel to review not covered in Paragraph 4.5 of this report.

2. EXECUTIVE SUMMARY

- 2.1. Now that the Committee system has been in place for some time, since May 2021, it is timely to undertake a review of all allowances, and because the last full review was undertaken in July 2019.
- 2.2. It is also timely to undertake this review following the District Elections held on 4 May 2023.

3. DETAIL

- 3.1. It is the duty of the IRP to review at least every four years the Council's Members' Allowances Scheme.
- 3.2. For the benefit of the Committee, the Terms of Reference of the Panel are outlined below. It is proposed that these remain unchanged as these have been previously agreed by the Audit & Governance Committee. Only slight changes have been made to remove reference to the 'Cabinet' and 'Cabinet Members'. As an aid memoire, the Panel's Terms of Reference are to consider/review:
 - the nature and type of role and responsibility of Elected Members and the level of commitment involved
 - the difference in responsibility and time commitment of Leading Members; Committee Chairs and Vice-Chairs, and back-bench Members and the Chair and Vice-Chair of the Council and other Members with specific responsibilities
 - schemes operating elsewhere in authorities similar to Arun
 - the level of remuneration paid for other types of public duties
 - whether allowances should be payable to meet Members out of pocket expenses
 - the need to attract and retain Members of appropriate calibre and representative of the demographic make-up of the District
 - the need to ensure that the scheme is straight-forward and economic to operate and justified in terms of affordability (in the public's perception) and working within existing budgetary constraints
 - a scheme that aims to compensate for the time put into the roles and responsibilities undertaken – bearing in mind that there should be an element of public service
 - a scheme that encourages Councillors to work flexibly and to develop themselves and their role in the community.

The following general principles should be applied:

- membership of the Council should be as inclusive as possible so as to allow all types of people to become a Councillor
- the need to encourage people to stand as Councillors – not to see a lack of remuneration/loss of earnings as a deterrent
- Members should be able to renounce all or part of their allowances

- account should be taken of hidden costs of Council membership
 - account should be taken of any additional and/or onerous responsibilities undertaken by Members
 - there should be an unremunerated element to service as a Member
 - some recompense should be available to Councillors with care responsibilities
 - the desirability of clearer public accountability for the work of Members
 - allowances should be broadly in line with those paid by adjacent Authorities and those of a similar size
 - the scheme of allowances should be equitable, transparent and simple to understand and administer while being affordable and justifiable in the perception of the public.
- 3.3 The Panel does not intend to provide an interim progress report to the Committee, it will present its draft outcome report with recommendations from the review to the meeting of the Audit & Governance Committee in February 2024 in line with the timetable set out later in this report.
- 3.4 There will be many issues for the Panel to examine in detail in undertaking this review following the changes to the governance structure since the 2019 review, including Responsibilities for Functions of the Council's Committees.
- 3.5 In undertaking a full review of the Members' Allowances Scheme, the Panel will be considering:
- A separate review for Town and Parish Council Allowances in terms of their Basic Allowances and Chair's Allowances
 - For the District Council - The Basic Allowance
 - Special Responsibility Allowances – a request has been made to examine introducing an SRA for the Chair of Licensing Sub-Committees (where they are not also the Chair of the Licensing Committee) on a meeting-by-meeting basis.
 - Travel and Subsistence Allowances
 - Co-Optees'/Independent Persons Allowances
 - Dependants' Adult Carers' Allowances
 - Childcare Allowance
 - Updating if required the Approved Councillor Duties via recommendations to the Constitution Working Party
- 4.6 The Panel has concluded that asking Members to keep a diary log should not be requested for this review due to the lack of responses received in the past.
- 4.7 The Panel in examining the key issues to consider as part of the review will draft a questionnaire for Members to complete as well as holding interviews and exit surveys with current/ex councillors and officers. This is considered to be particularly important in view of the changes to Councillor roles due to the Committee structure having been introduced since 2019. In conjunction with the work undertaken on the questionnaire, the Panel will also be undertaking research work on reviews undertaken by other authorities that are of a similar size and structure to Arun. Other research is also taking place with South-East

Employers who survey around 80 local authorities on the allowances they pay. This is a useful comparison tool for the Panel to use as part of its review.

4.8 The Panel is proposing the following timetable for undertaking its review:

Researching reviews undertaken by neighbouring authorities and those operating a Committee system. Examining the results of the SEEMP Annual Survey	July to September 2023
Members' Seminar to be held to explain more about the role of the IRP	September/October 2023
Allowances questionnaire to be sent to all Members of the Council [following the Seminar]	September/October 2023
Questionnaire to be returned to Committee Services	November 2023
Questionnaire Analysis and Review Period	November/December 2023
Councillor Interviews [Selection criteria to be agreed]	October and November 2023
Drawing of Conclusions and Preparation of Recommendations	December 2023
Review to be concluded	End of January 2024
Meeting of the Audit & Governance Committee to consider the Panel's report and to agree a new scheme to recommend onto Full Council	27 February 2024
Recommendations considered by Full Council for adoption	13 March 2024

4.9 Working to this timetable will allow the Panel sufficient time to consider any additional areas that Members may request should be considered as part of the review.

5.0 CONSULTATION

5.1 In line with the Constitution at Part 3 – Responsibility for Functions, the Audit & Governance Committee has responsibility for overseeing the work of the Independent Remuneration Panel in its periodic consideration of members' allowances. This report is consulting with the Committee in terms of how the Panel intends to undertake its next review of the Members' Allowances Scheme. Further consultation to include a questionnaire are referred to within the report above.

6 OPTIONS / ALTERNATIVES CONSIDERED

- 6.0 At the time of writing this report, there are no other alternative proposals in place in terms of how the next review of the Members' Allowances Scheme will be undertaken. To not agree to undertake a review could put the Council at risk as this would mean that the Council would not be complying with The Local Authority (Members' Allowances) (England) Regulations 2003 in terms of how regularly a council should conduct a review of its Members' Allowances Scheme.

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

- 7.0 Any additional costs arising from the review will have to be funded within the existing budget. Officers will work together to identify such funding and will report back to Members.

8 RISK ASSESSMENT CONSIDERATIONS

- 8.0 None associated with this report.

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

- 9.1 The Council must have regard to the recommendations of the Panel when determining the scheme of Members' Allowances.
- 9.2 The 2003 Regulations place certain duties on local authorities in connection with publicising the recommendations made by the Independent Remuneration Panel, the scheme of allowances adopted, and the actual allowances paid to Members in any given year. The Regulations also place the responsibility on the Council to ensure that copies of the Independent Remuneration Panel's report and recommendations are available for inspection at the Council's principal offices at all reasonable times and publish a notice in at least one newspaper circulating in the area.
- 9.3 The subsequent guidance to the Regulations, issued jointly by the Office of the Deputy Prime Minister and the Inland Revenue, urges local authorities to publicise more widely the report from the Independent Remuneration Panel, the scheme of allowances and the sums paid to each Councillors with the suggestion that, where possible, this information be published on the Council's website. Supporting information and explanations are also encouraged.

10 HUMAN RESOURCES IMPACT

- 10.0 None associated with this report.

11 HEALTH & SAFETY IMPACT

- 11.0 None associated with this report.

12 PROPERTY & ESTATES IMPACT

12.0 None associated with this report.

13 EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.0 None associated with this report.

14 CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.0 None associated with this report.

15 CRIME AND DISORDER REDUCTION IMPACT

15.0 None associated with this report.

16 HUMAN RIGHTS IMPACT

16.0 None associated with this report.

17 FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.0 None associated with this report.

CONTACT OFFICER:

Name: Daniel Bainbridge

Job Title: Group Head of Law and Governance (and Monitoring Officer)

Contact Number: 01903 737607

BACKGROUND DOCUMENTS: None.

Arun District Council

REPORT TO:	Audit & Governance Committee 25 July 2023
SUBJECT:	Annual Governance Statement 2022/23 and Code of Corporate Governance
LEAD OFFICER:	Stephen Pearse, Internal Audit Manager
LEAD MEMBER:	Cllr Dr Walsh
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: The Council is required by the Accounts & Audit Regulations 2015 to produce and approve an Annual Governance Statement, to accompany the annual accounting statements.	
DIRECTORATE POLICY CONTEXT: The Council's draft Accounts and the draft Annual Governance Statement are required to be published on the Council's website and be provided to the external auditors.	
FINANCIAL SUMMARY: n/a	

1. PURPOSE OF REPORT

- 1.1. To present the draft Annual Governance Statement for 2022/23 to the Committee, supported by the local Code of Corporate Governance, pending approval of the final version at a future meeting when the audited Annual Accounts are presented.

2. RECOMMENDATIONS

- 1.2. Members of the Audit & Governance Committee are requested to note the draft version of the Council's Annual Governance Statement for 2022/23

2. EXECUTIVE SUMMARY

- 2.1. This report presents the draft Annual Governance Statement for 2022/23 which is required to accompany the unaudited Annual Accounts

3. DETAIL

- 3.1. The Council is required by the Accounts & Audit Regulations 2015 to produce and approve an Annual Governance Statement, to accompany the annual accounting statements.
- 3.2. The current Regulations require that the Council's draft Accounts are available for audit by 31 May and that the final audited Accounts are approved

and published by 30 September. The Council's external auditors have advised that there will again be delays in the completion of their audit and their report on the Accounts will not be available until early 2024. In view of this, an appropriate explanatory notice will be published on the Council's website to accompany the draft, unaudited, Accounts and the draft Annual Governance Statement.

- 4.3 The Annual Governance Statement (AGS) is based upon CIPFA best practice to meet the requirements of the Regulations. As reported to the Committee in previous years, CIPFA issued its new Delivering Good Governance in Local Government: Framework and associated Guidance Note in 2016 and this Framework now forms the basis for AGS reporting and for the Council's local Code of Corporate Governance.
- 4.4 The AGS document has been prepared with input from officers and considered by the Council's Corporate Management Team. It is based upon the Council's local Code of Corporate Governance and other supporting documentation, including the Council's Corporate Risk Register and the annual audit opinion provided by the Southern Internal Audit Partnership (SIAP).
- 4.5 In preparing the current document, previously agreed wording has been used from the last AGS and additional wording / updates have been applied to reflect relevant changes and progress made by the Council in 2022/23. Sections where new / amended wording has been included are highlighted (shaded) in the document. While it is primarily a backward-looking document over the period of the accounts, consideration is also given to any significant governance issues affecting the Council while the accounts are being finalized.
- 4.6 The document is signed by the Chief Executive Officer and the Leader of the Council and will accompany the draft Annual Accounts of the Council which will be published on the Council's website.
- 4.7 No changes to the existing local Code of Corporate Governance are proposed.

4. CONSULTATION

- 4.1. The document has been provided to the Leader of the Council for comment and approval.

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. The Committee could request further information or changes to the final document prior to its approval and publication.

6. COMMENTS BY THE GROUP HEAD OF FINANCE AND SECTION 151 OFFICER

- 6.1. The Annual Governance Statement is a statutory document, which explains the processes and procedures in place to enable the Council to carry out its functions effectively. There are no direct financial implications.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. The Annual Governance Statement is a mandatory document and non-publication could lead to regulatory or reputational issues. As the audit of the Council's Accounts is again subject to delay, an appropriate explanatory notice (as required by the Accounts and Audit Regulations 2015) will be posted on the Council's website with the draft Accounts and draft Annual Governance Statement.

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

- 8.1. The Annual Governance Statement is a statutory document which explains the processes and procedures that are in place to enable the Council to carry out its functions effectively. Local authorities in the UK are required to prepare the Statement in accordance with proper practices and the council has followed relevant CIPFA and other guidance in its preparation.
- 8.2. The necessity to confirm with Regulations and the governance framework is recognised accurately in this report.
- 8.3. There are no legal and procurement implications arising directly from this report. Where further work is required to respond to any issues identified these will be subject to review by the Finance and Legal teams, and in particular will require consideration of the Council's standing orders.

9. HUMAN RESOURCES IMPACT

- 9.1. There are no impacts.

10. HEALTH & SAFETY IMPACT

- 10.1. There are no impacts.

11. PROPERTY & ESTATES IMPACT

- 11.1. 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 specific FOI or Data Protection implications.

CONTACT OFFICER:

Name:	Stephen Pearce
Job Title:	Internal Audit Manager
Contact Number:	01903 737561

BACKGROUND DOCUMENTS:

N/A



Annual Governance Statement

2022/23

Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. There is also a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of efficiency, effectiveness and economy.

In discharging these overall responsibilities, the Council is responsible for putting proper arrangements in place for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council delivers good governance and reviews the effectiveness of these arrangements to meet the requirements of the Accounts and Audit Regulations 2015, specifically:-

- Regulation 6(1), which requires that the Council “must each financial year:-
 - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
 - (b) prepare an annual governance statement”
- Regulation 6(4), which requires the annual governance statement to be “approved in advance of the relevant authority approving the statement of accounts” and “to be prepared in accordance with proper practices in relation to accounts”, to accompany the Council’s Annual Accounts.

(The above, which came into force on 1st April 2015, replace the equivalent Regulations 4(2) and 4(3) from the Accounts and Audit (England) Regulations 2011).

In 2020, the dates for preparation of the draft and final accounts were relaxed by the Government for two years in light of the Covid crisis and while the Government considered its full response to the recommendations of the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities. For the preparation of the 2022/23 Accounts the draft and final accounts publication deadlines for relevant bodies have reverted to 31 May and 30 September.

As noted in the Redmond Review there are currently ‘insufficient qualified individuals to deliver all audits at the appropriate time’. As at March 2023:-

- the Council’s external auditors have again advised that this national resourcing issue means that they will not be able to complete all their audits by 30 September 2023 and currently anticipate scheduling the main audit work for the Council in early 2024. As in previous years, an appropriate statement will be posted on the Council’s website along with the unaudited draft Accounts in order to meet statutory requirements
- although the 2021/22 Accounts were presented to the Audit & Governance Committee in February 2023, the external auditors advised that some work remained to be completed. Although an unqualified opinion is expected, the Accounts and Letter of Representation had not been signed-off at the end of the financial year.

This document is the Council's Annual Governance Statement (AGS), relating to the internal control environment in place covering the 2022/23 financial year and the period during which the Council's Annual Accounts are prepared.

The Council's Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate risk of failure to achieve policies, aims and objectives and can, therefore, only provide reasonable, and not absolute, assurance of effectiveness.

Organisations with good corporate governance demonstrate the capacity to maintain high quality services and to deliver improvement. In 2016, CIPFA published its new *Delivering Good Governance in Local Government: Framework (CIPFA/SOLACE, 2016)*. This applies to Annual Governance Statements for the financial year 2016/17 onwards and the Council has adopted a local Code of Corporate Governance based upon the principles of the new Framework.

Compliance with the Council's local Code of Corporate Governance is considered annually and any issues identified are reported to the Audit & Governance Committee. Internal and external audit also produce reports which consider the adequacy of corporate governance arrangements across the Council.

The Terms of Reference for the Audit & Governance Committee were reviewed and updated in 2021 as part of the change to the committee system of governance at the Council. These provide clear guidance on its responsibilities, including consideration of all appropriate aspects of corporate governance. Minutes from meetings of the Audit & Governance Committee evidence this and are published on the Council's website.

There is an Annual Governance Statement (this document) which is approved by the Audit & Governance Committee and subsequently reported to Full Council with the minutes of the Committee. The AGS is published to accompany the Annual Accounts, once approved, on the Council's website.

The key elements of the systems and processes that comprise the Council's governance arrangements are shown below, in relation to the seven principles of the CIPFA/SOLACE framework:-

A. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law

The culture of the organisation sets the foundation for ethical behaviour, staff / Member conduct and the prevention of fraud and corruption, by creating an environment that is based on openness and honesty in all Council activities. The culture is founded upon good organisational performance, external recognition, highly ethical staff and good employee attitude to internal controls.

The Equalities & Diversity framework (and associated Human Resources policies) sets the tone of the Council's respect agenda, with a revised Equality, Diversity & Inclusion Policy adopted in 2022. The Council has a Children, Young People and Adults At Risk – Safeguarding Policy, including considerations arising out of the Care Act 2014, and in March 2023 the Council adopted an Anti-Modern Slavery Pledge.

As required by central Government, the Council published its first gender pay gap figures in 2018 and this is now repeated annually. Staff and Unison were consulted on the initial results and an action plan has been progressed resulting in an improvement to the Council's position.

The standards of conduct and personal behaviour expected of members and officers of Arun District Council are defined and communicated through codes of conduct and protocols. The Members' Code of Conduct was revised in 2012 reflecting the Localism Act 2011 and in 2021 was revised to reflect the recommendations within the LGA's model Code of Conduct. The Council has an adopted Protocol on Member and Officer Relations together with an Employee Code of Conduct. The conduct of elected members is monitored by the Council's Standards Committee and allegations of breaches of the Code of Conduct are investigated by the Council's Monitoring Officer and reported to the Standards Committee, with the Council's Assessment Panel considering any investigations which in the Monitoring Officer's view require consideration at a hearing. This process is supported by the Council's Local Assessment Procedures and the Local Hearings Procedures.

From May 2021 the Council moved to a 'committee model' of operation under the provisions of the Local Government Act 2000. There are currently six 'service' committees and four regulatory committees reporting to Full Council, with their roles and responsibilities contained in the revised Constitution. (A diagrammatic representation of how the various stakeholders in the new governance process interact is included as Appendix 1 to this document).

At the District Elections held in May 2023, the Council remained in a position of No Overall Control. While the Conservative group remains the largest party, an administration comprising an alliance of the Liberal Democrat, Labour, Green and Independent groups has the majority and has political leadership of the Council. This may mean that current Council priorities, strategies and initiatives are subject to review and change.

The Council's Constitution provides clear guidance on the roles and responsibilities of the Chief Executive, Senior Officers, the Council's Leader and its Committees. This is

reviewed by the Monitoring Officer on a regular basis and proposed changes to the Constitution are considered by the Constitution Working Party (of Members), prior to recommending adoption by Full Council.

The Constitution also contains details of the authority's scheme of delegation, which in 2023 was supplemented with a scheme of CEO authorisation to Directors, and identifies the roles and responsibilities of Senior Officers of the Council, with specific responsibilities also incorporated into individual job descriptions. The Leader and the Committee Chairs and their deputies receive briefings from Senior Officers on a regular basis, including financial, legal and technical advice.

The Council takes the prevention of fraud, corruption and maladministration very seriously and has the following policies in place, which aim to prevent or deal with such occurrences:-

- Anti-Fraud, Corruption & Bribery Policy (including requirements of the Bribery Act 2011)
- Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998)
- HR policies regarding discipline of staff
- Registers of Interests for Members and staff.

The Council has assessed the risk of fraud in its operations, and the ongoing counter-fraud activities undertaken, against the CIPFA 'Code of practice on managing the risk of fraud and corruption', the updated 'Fighting Fraud & Corruption Locally' strategy, the UK Anti-Corruption Plan and general / professional best practice. It has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud. An annual Counter-Fraud Report is provided to the Audit & Governance Committee and current / future risks are monitored.

The Council is committed to the highest possible standards of openness, probity and accountability. It has a published Whistleblowing Policy, which aims to encourage Officers, contractors and members of the public to report any instances of unlawful conduct, health and safety risks, damage to the environment and possible fraud, irregularity or unauthorised use of Council funds.

A Feedback and Complaints Policy is in place (updated in 2022) and the forms and guidance are available on the Council's website. Results of complaints which have been investigated are, where appropriate, used to drive service improvement and performance monitored through Corporate Plan indicators.

In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and Members. The Council's senior management and Housing Department agreed an action plan with the Regulator which has been monitored on a monthly basis. This covers a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. The Council continues to work with the Regulator through regular monthly

updates and periodic telephone conversations and as suggested by the Regulator, the Council commissioned a compliance health check and the results have been provided to the Regulator – it is anticipated that the issues have been resolved and the Regulator will release the Council from the Regulatory Notice in 2023.

B. Ensuring openness and comprehensive stakeholder engagement

The Council's Constitution sets out how the Council operates and the process for policy and decision-making. Certain decisions, identified in the Council's Constitution, can only be taken by the Full Council. Under the committee system, other decisions will be taken by Full Council or delegated to an appropriate Committee or to officers. There are no longer 'key decisions' contained in a Forward Plan or any decisions made by individual (Cabinet) Members. Reports presented to Committees and Full Council are reviewed on a risk / professional basis by Legal Services and Finance before being presented and appropriate Officers attend Committees in order to answer specific queries raised by Members.

The Council aims to ensure that clear channels of communication are established with all areas of the community and other stakeholders, ensuring accountability and encouraging open communication. The Council believes that the change in governance structure will improve the openness and transparency of the Council and its decision making and will also be looking at measures to engage better with the public. From 2020, the Covid crisis has meant that the Council has made much wider use of social media to inform and update residents.

The Council's publication 'Arun Times' is distributed to all residents (currently twice-yearly) and is available on the Council's website. The website contains key published information and over the last few years has been rewritten to make it clearer and easier to use for as many people as possible – to support that goal, new accessibility tools have been added to assist certain user groups and to ensure it meets the Web Content Accessibility Guidelines (WCAG) 2.1 AA standard for websites. The Council's 5-year ICT Service Strategy has been supplemented by a new Digital Strategy 2019-2025 agreed in December 2019 and the Council will be looking at the best ways to provide more digital opportunities to make dealing with us easier, to improve customer service and increase efficiency.

Full Council and Committee meetings are held in public, with the press and public only excluded when a report is presented as an 'exempt' item in accordance with Part 1 of Schedule 12A to the Local Government Act 1972. Meeting agenda and public supporting documents are published at least five clear days in advance of meetings and made available at Council offices and on the website. Members of the public are also allowed to speak and ask questions at Full Council and Committee meetings, under the Rules of Procedure contained in the Constitution.

The ModernGov meeting management system was implemented for use by the Council in 2019 and assists in the administration and provision of Council papers for Members, staff and the public. This will be developed further to link into the ongoing governance arrangements for the Council.

The Council has adopted a Filming and Photographic Policy for key Council meetings, to meet transparency requirements contained in the Local Audit & Accountability Act 2014. Full Council and Committee meetings are live-streamed and recorded to allow public viewing.

Various Council activities have, over many years, brought together a wide range of local organisations in all sectors of the Community and there is ongoing engagement with the voluntary and community sector. The Council believes that by engaging with local people and other stakeholders this ensures robust accountability.

Members continue to be engaged with Sussex Police regarding concerns over policing, crime and anti-social behaviour in the District and the Chair of the Housing & Wellbeing Committee is the Council's representative on the Sussex Police & Crime Panel. They also consider the provision of health services and wellbeing throughout the District.

The new priority themes contained in the Council's Vision 2022-2026 have been drawn up with the involvement of a wide range of consultees including staff, Members and the general public.

The Council engages in public consultation exercises to inform the decision-making process, with several undertaken recently in relation to current and future developments e.g. plans to enhance Littlehampton seafront, future of Pier Road and Resident Engagement Strategy.

Arun gathers views from its residents in several ways, which helps to inform the priorities adopted by the Council and to identify the views of residents on proposals for new or changed services, projects and initiatives being considered by the Council. Customer satisfaction is included in the Council's Corporate Plan indicators and is informed by an annual Residents' Survey with results reported to CMT and Members.

The Council also has agreed and published a Petitions Scheme, allowing the public to raise issues of concern with a formal response procedure to be followed by the Council. Details of the use of the scheme and petitions received are published on the Council's website.

C. Defining outcomes in terms of sustainable economic, social and environmental benefits

The Council aims to deliver high quality services that provide value for money and best fit the needs and priorities of the local community.

In 2021/22 the Council developed and agreed its Vision 2022-2026 which contains four new themes:-

- Improving the wellbeing of Arun
- Delivering the right homes in the right places
- Supporting our environment to support us
- Fulfilling Arun's economic potential

Linked to these are key performance indicators / outcomes. In addition, the Council has agreed a set of revised Corporate Plan indicators from April 2022 to support achievement of these themes. Progress against these is reported to Members and published by the Council.

Within these themes, the Council will deliver services and progress initiatives for improvement and change to make things better for:-

- our residents and everyone who visits this area
- our businesses
- those people who need the Council to step up and help them when it counts.

Year on year, the Council has faced additional pressure to achieve cost savings without impacting the delivery of important front-line services. The Council's medium term financial strategy anticipates further funding reductions. While The Council currently has sufficient reserves to ensure financial resilience, balances are anticipated to reduce significantly in the medium term and the 2023/24 Budget required a transfer from the Funding Resilience Reserve. The Council will continue to consider ways to increase income and / or reduce costs to minimise the anticipated budget deficit in future years. This commenced with a resource based (Zero Based Budgeting) budgeting exercise in 2022/23 to inform the 2023/24 Budget and will be reviewed during that financial year.

Value for money continues to be a key factor, with the Council looking to reduce costs and improve efficiency, with progress also being made on specific initiatives e.g. by specialist officers in respect of:-

- the identification of empty homes and returning them to permanent use, with the Council benefiting financially from New Homes Bonus provisions and the area from additional housing stock
- the Council's Property Investment Strategy, allowing the re-investment of a proportion of funds from land and property sales by the Council.

Significant work will be required to reduce the budget deficit over the coming years. The Budget agreed in March 2023 contains a £3m Transformation Budget which will be applied in 2023/24 and future years to develop a programme including cost reductions and increased income achievement.

The Council also continues to consider the impact on residents of the Welfare Reform Act 2012 and of central government changes to the social housing regime and relevant strategies and policies have been reviewed and updated. Funds have also been allocated by the Council to better address homelessness issues, which includes building / acquiring additional properties in order to provide quality accommodation for emergency cases, with a view to reducing bed and breakfast accommodation costs.

The Council is committed to working with others to bring about real change for the benefit of the community. It already has several joint working arrangements in place and will further explore opportunities for partnerships and shared services, where this can be demonstrated to provide the best value. Periodic joint management team meetings are held to discuss issues with other West Sussex local authorities and the Council's Chief Executive meets regularly with other CEOs on the West Sussex County

Chief Executives Forum and West Sussex Chief Executives & Leaders meet periodically via the West Sussex Leaders Board. Members of the Senior Management Team hold regular meetings with key business / third sector partners such as the University of Chichester, Butlins, Rolls Royce, Aldingbourne Trust, Age UK, etc. There are also regular liaison meetings with the three Town Councils (Arundel, Bognor Regis and Littlehampton) which involve the Chief Executive, the Leader and a senior officer from Arun District Council and officers and Members from the Town Councils.

The Council continues to work with, and provide support to, Town and Parish Councils wishing to develop a Neighbourhood Development Plan and maintains a register of 'assets of community value' (introduced as part of the Localism Act 2011).

The Council's overarching priorities are used to drive other key strategies for consultation, agreement and publication. The most significant of these are:-

- Arun Economic Development Strategy 2020-2025 (approved in 2019)
- Local Plan 2011-2031 - following a lengthy review, consultation and examination process, the final Local Plan was adopted by Full Council in July 2018

However, although a review of the Local Plan was agreed by Full Council as part of its altered priorities and some work has been performed on updates to the evidence base the Council has taken the decision to pause the review until details of the Government's new plan making system are agreed

- Customer Services Strategy 2021-26
- Housing & Homelessness Strategy (to be revised in 2023)
- Leisure & Cultural Strategy 2013-2028 (recommendations for the future were agreed, following public consultation in 2012/13):-
 - the leisure contract transferred to Freedom Leisure from April 2016
 - construction of the 'Littlehampton Wave' was completed, with the new swimming pool and leisure centre opening in late March 2019
 - further enhancements to the Arun Leisure Centre are progressing
 - rising inflation, increased utility costs and workforce shortages will again be a challenge in 2023/24
- Bognor Regis regeneration:-
 - the improvement of Place St Maur was completed in 2022 with a large part of the funding for the project obtained from the Local Enterprise Partnership
 - options for the 'Sunken Gardens' have also progressed and following public consultation works are due to complete in mid-2023
 - the Council continues to liaise with local partners on improvements (e.g. the University of Chichester's new Tech Park) and to attract new businesses / investment (e.g. the Rolls-Royce technology & logistics centre)
- Enterprise Bognor Regis – planning permission was secured in 2019 by the landowners of the Saltbox site to provide approximately 30,520 square metres of new mixed-use employment floor-space and between 500 and 1000 new private sector jobs and development is progressing
- External funding was secured to deliver the Littlehampton town centre public realm improvements with initial phases completed and work progressing in 2023

- in March 2021 it was agreed that a working party be set up to look at preferences and priorities for bidding against the Levelling Up Fund that had recently been announced by the Government, for further projects in Littlehampton and Bognor Regis. The resulting bid by the Council was successful and £19.4M will be provided to progress projects for improvements to the Alexandra Theatre in Bognor Regis and the Littlehampton seafront and riverside
 - the Littlehampton improvements have been subject to public consultation and, subject to a planning application and appointment of contractors, construction will commence in late 2023
 - subject to a planning application, the Alexandra Theatre works will commence in late-2023
- the Council has also been successful in a bid for funding to contribute to providing six Changing Places Toilets in the District
- the Council has worked collaboratively with other local councils to progress the delivery of the Gigabit West Sussex project and led by WSCC (in liaison with the Department for Digital, Culture, Media and Sport) to install superfast gigabit fibre broadband to public buildings in the District
- progress of the Arun Growth Deal 2018-2023 – clearly identifying the Arun ‘economic growth offer’ and contributing to the overall West Sussex Growth Plan developed by WSCC. The Council will review the Growth Deal with WSCC in 2023
- the Council is now a member of the Greater Brighton Economic Board
- Capital Strategy 2023/24 to 2026/27 – this is an annual document required under CIPFA’s revised Prudential Code and includes a rolling 3-year proposed capital investment programme approved by the Council.

The Council has produced and sustained the Arun Developer & Partner Charter Plus and, in line with the Public Services (Social Value) Act 2012, encourages companies and partners to subscribe to this, to facilitate co-operative working, local employment, training opportunities, procurement and development within the District. The Local Enterprise & Apprenticeship Platform (LEAP) project, which commenced in 2015, offers grants to ‘start-up’ and small business in the Arun District. In addition to this, funding was obtained in 2018/19 for ‘Journey To Work’ and retail training projects in order to assist both those without employment and independent retailers, with further funding now extending this through 2023/24. The Council has worked closely with local Job Centres to hold Jobs and Cost of Living Fairs which have been well attended and resulted in a number of employment opportunities being taken up. The One to One Retail support service continues to be well received and has recently secured funding from the UKSPF budget for further work. The Council has also received funds from the Economic Recovery Fund, held by WSCC, to assist in town centre economic recovery projects.

Through the Covid period and into 2022/23, the Council has been instrumental in the delivery to eligible local businesses of over £50M of mandatory and discretionary grants allocated by the Government and this funding also allowed several further initiatives to provide wider business support in the District. It also assessed and distributed Test & Trace Self-Isolation Payments to eligible residents and Government funding has also been received and used for other designated measures in support of

the community (e.g. Arun Covid Community Champions project, Protect & Vaccinate Grant).

The Council has also recognised the impact on the community resulting from the cost of living crisis. In November 2022 the Council allocated £180k to fund initiatives aimed to help support Arun residents through the crisis. The Council has also distributed almost £9M of Government funding in support of national schemes to assist residents with their increased fuel bills, through Council Tax Energy Rebate payments and to qualifying applicants through the Energy Bills Support Scheme (EBSS) Alternative Fund and Alternative Fuel Payments.

The Council has a key role in several local partnerships, working for the benefit of residents and the community to improve the local quality of life, including:-

- Safer Arun Partnership (the statutory community safety partnership)
 - current Council anti-social behaviour initiatives include a Public Spaces Protection Order (PSPO) covering the consumption of alcohol in designated areas within the District and litter and dog fouling enforcement
- Arun Wellbeing Programme / Arun Local Community Network
 - in 2021/22 the Arun Wellbeing and Health Partnership was replaced by the Arun Local Community Network (a specific partnership group to tackle health inequalities) in preparation for the introduction of the Integrated Care System
 - the Arun Wellbeing service received partnership funding for five years from April 2022 and has a dedicated website offering practical advice and events to assist in the improvement of the health of residents and to reduce health inequalities

It also participates in national and county-wide partnership initiatives, including:-

- Coast To Capital Local Enterprise Partnership
- West Sussex Fuel Poverty Partnership
- Coastal West Sussex Partnership
- Rural West Sussex Partnership
- Coastal West Sussex & Greater Brighton Strategic Planning Board
- Greater Brighton Economic Board
- WSCC Joint Climate Change Board
- Arun Local Community Network.

The Council is clear about its responsibilities for services, whether provided directly or through partners / other third parties. We will work closely with partners and influence third parties to make sure they deliver to agreed levels of quality and are accountable for what they do. There will need to be significant infrastructure improvements in the District to support the predicted increase in housing numbers and the Council will continue to liaise with appropriate strategic partners and developers as to the required improvements. Since 2020, in accordance with amended regulations, the Council has approved and published its annual Infrastructure Funding Statement and has also updated its Arun Infrastructure Investment Plan for 2022-25 (prioritising the use of Community Infrastructure Levy funds received).

We have a clear commitment to ensure services deliver the most appropriate combination of quality, value and choice to all residents. As part of this process, the Council has let several of its major contracts in recent years (e.g. Combined Cleansing Services, Greenspace Management, Leisure Management) and continues to provide the best level of service, while achieving both cost savings and also encouraging partner investment in improvements. With the Covid crisis in 2020-22, and now the significant increase in energy prices, the Council has worked through its staff and partners to minimise the impact on the delivery of key services.

Arun (and other Districts in the County) continues to liaise with WSCC in respect of potential changes in its support for waste and recycling initiatives and in a reduction in grant funding for charitable and support organisations. These changes will have a significant impact on the Council, both financially (loss of recycling credits, increased homelessness costs, etc.) and through additional burdens placed upon it. Although the successful food waste collection service trial was initially extended in 2022, the Council made the decision to withdraw from this due to the discontinuation of funding from WSCC. The weekly residual waste collection service will remain in place until such time that the Government mandates food waste collections to all households.

The Council actively considers environmental issues in its policies / decisions and supports / promotes environmental initiatives for itself and its residents, including carbon management and energy efficiency schemes through its Energy Efficiency & Fuel Poverty Strategy (updated in 2020).

The Council's strategic priorities include an increased focus on environment and climate change issues and the Council formally declared a 'climate emergency' in January 2020. The Council has now appointed a Climate Change & Sustainability Manager to progress its aim for the Council to be carbon-neutral by 2030 and has contracted to obtain its electricity supply from renewable sources. At its meeting of September 2020, in response to a Motion from Members, the Council recognised that although much good ecological work is ongoing, further action is required and it agreed to review and update the bio-diversity policies within the Local Plan. The Council has also agreed and reviewed its:-

- Carbon Neutral Strategy
- Climate Action & Biodiversity Work Plan 2023-24
- Greenspace Tree Planting Strategy 2021-2031.

Preparatory work is also progressing on the Bersted Country Park project, with public consultation due in 2023.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council publishes its Annual Financial Accounts in accordance with the CIPFA Local Authority Code of Practice and DLUHC reporting requirements. The annual Budget is approved by Full Council and regularly monitored and reported on. In the event of significant variation, requiring additional expenditure, a Supplementary Estimate may be raised for Full Council approval.

CIPFA has issued a new Financial Management Code which came into effect from April 2020, with compliance required by 2021/22. This is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. An assessment against the Code has been undertaken (and updated in 2022) to confirm that the Council is compliant and follows best practice.

The Council has a range of performance indicators, used to measure progress against its key priorities in the annual Corporate Plan. The effectiveness of these indicators is considered annually. In support of the new Council Vision for 2022-2026, vision indicators and outcomes and revised Corporate Plan indicators have been agreed and these are monitored and performance reported to Members.

The Council regularly surveys users of its services and this process has been enhanced, with residents' surveys including customer satisfaction questions undertaken to assess key elements of the delivery of its new priorities. Results are published and the information provided is used as a resource which informs the Corporate Plan process and future policy decisions. Service and value for money reviews may also be undertaken (both via internal audits and Member Working Groups) and the Council's external auditors provide a value for money conclusion as part of their annual review of the Council's accounts.

Performance indicators are in place and regularly monitored, with periodic reports provided to the Corporate Management Team and relevant service committees (and published as agenda items on the Council's website).

Via the embedded monitoring and reporting processes that the Council has in place, performance, audit, risk and finance information is used to identify areas of concern and for appropriate interventions to be planned and implemented to optimise the achievement of outcomes.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council's Chief Executive (Head of Paid Service) is responsible and accountable to the authority for all aspects of operational management. His objectives are set, and his performance monitored, by a panel of senior Members from the controlling group and the Leader of the main opposition group. However, the current Chief Executive has left the Council at the end of May 2023 and arrangements for fulfilling the role and for the recruitment / appointment of an interim or permanent replacement will be considered by the new Council following the May 2023 Elections.

The Group Head of Finance is the designated Section 151 Officer. (In February 2023, a new permanent S151 Officer was appointed, following a period when the role had been filled on an interim basis). The Council's Constitution contains specific details of the overall financial responsibilities of the role and an update of the Council's Financial Regulations was recently performed and the resulting changes included in the Constitution.

The Monitoring Officer (Group Head of Law & Governance) has overall responsibility for legal compliance and works closely with Officers and Members to advise on legal issues which affect the Council. (In April 2022, a new permanent Monitoring Officer was appointed, following a period when the role had been filled on an interim basis). Under the Localism Act 2011, local authorities were granted the 'general power of competence', allowing greater freedom to work in partnership and to develop more innovative ways of providing services.

As reported in previous AGS documents, the Council worked with staff and Members on its 2020 Vision programme in order to ensure that the Council's current agreed outcomes can be delivered and to identify the need for change to best position the Council for the future challenges facing the public sector and has agreed its Vision 2022-2026 covering the next 5 years.

However, it was always anticipated that there will be further funding reductions and additional burdens placed upon local government in the immediate future. The Council has considered these as far as possible when preparing its Financial Prospects Report (including its Medium-Term Financial Strategy), used to inform its annual budget changes and further annual cost savings will be required in the short to medium term to maintain the Council's financial stability. The Council will continue with its commitment to seek ways to provide quality frontline services with the funds available while also seeking additional income sources and appropriate potential income generating opportunities.

As already noted, the Council required a transfer from reserves for its Budget for 2023/24 (which was agreed by Full Council in February 2023) and the predicted finances for future years has been reflected in the Financial Prospects 2022/23-2026/27 report presented to Members. In view of the anticipated future funding deficit and the changes in the way the Council has been operating (since the Covid pandemic when most staff worked from home), efficiency and cost saving initiatives are being investigated, together with consideration of additional income streams.

The Council is progressing work to consider its future operating model alongside the resource and budgetary requirements in order to progress the Council Vision 2022-26. This work is branded as 'One Arun' and has involved staff and Members, with external expertise, considering culture change, values and the operating model within the Council. This includes consideration of the effective use of corporate properties to ensure that the Council's offices and facilities are fit for the future provision of services to the public, while also incorporating 'cultural' changes such as an increase in home working by staff and the provision of more services / information via digital channels.

Human Resources procedures are in place to facilitate the recruitment and retention of capable staff. There is an induction and training programme for all staff, as well as apprenticeship opportunities. All staff are required to participate in a continuous performance review process and an IT system specifically designed to assist with the recording of performance objectives and training and development needs was implemented in 2021.

Arun Councillors are elected on a 4-year term with the most recent elections held in May 2019. Elected Members to the Council have a Member Induction programme, which has been reviewed and updated in advance of the 2023 District Council elections, and this includes specific training for Members in respect of the main quasi-judicial Committees. Members also have ongoing training that incorporates understanding the aims and objectives of the Council, understanding and dealing with current / new legislation and developing their personal skills. They also receive training from the Monitoring Officer on the Council's Member Code of Conduct, which is reported to the Standards Committee.

F. Managing risks and performance through robust internal controls and strong public financial management

The system of internal control is based upon an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, the impact should they be realised and to manage them efficiently, effectively and economically.

The Council has reviewed and agreed an updated Risk Management Framework in 2022, which includes the Council's risk appetite statement and reflects the roles and responsibilities of Members and all levels of staff in the risk management process. Internal and external audit work will consider and report upon risk management in the area under review.

In 2022, the Chief Executive commissioned a review of the Council's risk appetite, strategy and reporting to ensure that it remains fit for purpose. The Council's Corporate Risk Register (CRR) has been reviewed and refreshed and is regularly reviewed by CMT. The Council recognises that it faces significant financial challenges in the coming years, together with the uncertainty surrounding major reforms proposed / being progressed by central government. Reports are presented to the Audit & Governance Committee, which is also involved in reviewing the current CRR document and which is published on the Council's website. In addition, all Service areas are required to prepare and maintain Operational Risk Registers.

Proposals for all major IT and business transformation projects incorporate a consideration of risk in the documentation provided for approval by ICT. The Council has undertaken a substantial amount of work to review its data security policies, processes and staff training in order to meet the requirements of the General Data Protection Regulation (GDPR) / Data Protection Act 2018 and to minimise the risk / impact of cyber-attacks affecting the Council's IT network and systems. In 2018, the Council took part in the Local Government Association's (LGA) 'cybersecurity stocktake' exercise and, as a result, has received consultant assistance in assessing and documenting its cybersecurity risks and in identifying measures to improve its security, resulting in an improved assessment rating. However, cybersecurity events affecting other authorities and the increased risk of external attacks with the current global political and economic situation means the Council must remain vigilant and continue to review its security arrangements and consideration of cyber risks and security is a standing CMT item.

The Council's policy for managing financial risk is considered on a regular basis. Financial Regulations (including procurement policies), contained in the Constitution, are reviewed by the Section 151 Officer and changes adopted by Full Council.

The Audit & Governance Committee receives regular reports on the Council's Treasury Management function and the Council complies with the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.

As reported in previous years, the Council is progressing a programme to provide additional rented residential accommodation. The Housing Revenue Account (HRA) is ring-fenced (and separated from the Council's General Fund) and a HRA Business Plan has been agreed for the period 2017-2047, which is reviewed annually by external consultants, including:-

- the planned additions of a further 230 properties between 2020/21 and 2031/32, in order to replace the properties it is expected will be lost through Right To Buy regulations and to provide a net gain in the affordable housing stock over the period (this will be reviewed in line with the Business Plan)
- investment in the Council's sheltered home schemes over the period to ensure they remain fit for purpose.

In January 2023 a revised HRA budget for the year was agreed by Full Council, for 2022/23 but there remains significant pressure on the HRA balance, which is predicted to remain below the £2m recommended balance set by the Council for a number of years. In order to address the issues, measures are being developed to improve efficiency and financial sustainability in the Housing service and the HRA Business Plan has been reviewed and updated to reflect this. Furthermore, the HRA will be reviewed with CIPFA during 2023/24 with a view to improving its financial position.

The Council fully meets the legal requirements for insurance and claims are managed in accordance with the Ministry of Justice protocols. All of the claims are monitored by the Finance & Risk Manager and the results are reviewed.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016).

G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

With the implementation of the committee system of governance from May 2021 there is no longer a separate scrutiny committee / function, as it is held that the system 'self-scrutinises'. The Constitution does however contain provision for 'Referral and Recovery Procedures' allowing Members to require a decision be considered and taken by Full Council rather than by a committee.

The Audit & Governance Committee is embedded as part of the Council's overall governance framework. Its terms of reference incorporate the core functions, as

identified in the appropriate CIPFA guidance. The Committee is responsible for issues relating to the Council's system of internal control, risk management, financial reporting and counter-fraud, as well as overseeing the arrangements for, and providing a forum for reporting and discussion of issues raised by, both internal and external audit.

From April 2022, the Council joined the Southern Internal Audit Partnership (SIAP) for the provision of internal audit services to the Council (replacing the former in-house arrangement). The new arrangement provides greater resilience in respect of resource than previously and access to specialist audit skills when required. The Internal Audit Charter, annual plan and progress reports are provided to the Audit & Governance Committee as before and the arrangements will continue to have regard to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations (2019).

Internal Audit also carries out key financial audits of the Council's major systems as part of the International Standards on Auditing, in conjunction with the external auditors. The Audit & Governance Committee receive all the external assurance reports and makes recommendations to Full Council where appropriate.

The Council chose to opt-in to the sector led body approach for external auditor appointments (with a procurement exercise undertaken by the Government-appointed body Public Sector Audit Appointments Ltd.). As a result of this, the Council's current external auditors (Ernst & Young LLP) have been appointed to perform the audit of the Council's accounts for a 5-year period (covering the accounts from 2018/19 to 2022/23). In 2021, the Council again opted-in to the sector led body approach for procurement of external audit services (from 2023/24) and PSAA Ltd. has advised that E&Y have been appointed as the Council's auditors for a further 5 year period.

The Council operates a Publication Scheme, as required by the Freedom of Information Act 2000, and publishes information to meet current local government data transparency requirements. Planning matters are also covered in the published annual Authority Monitoring Report, as required by the Localism Act 2011.

Details of payments made under the Members' Allowances Scheme are published on the Council's website. The current scheme (based upon the recommendations of the Independent Remuneration Panel's 8th review) was adopted by Full Council in July 2019. A further interim review of the scheme was progressed in 2020 to support the decision of the Council to move to a committee structure from May 2021 and consider the change of allowances from Cabinet members to committee chairs and vice-chairs.

Review Of Effectiveness

The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review is informed by the work of the managers who have responsibility for the development and maintenance of the governance process, the internal audit annual report and by comments made by the external auditor and other appropriate review agencies / inspectorates.

Information to provide assurance to support the content of the Annual Governance Statement is available across the Council in various sources. In preparing the AGS for the Corporate Management Team, consideration has included:-

- CIPFA guidelines in respect of the production of an Annual Governance Statement (the best practice suggestions identified by CIPFA in their review of the framework included the suggestion that a diagrammatic representation of the systems, processes and documents that contribute to the Council's governance be drawn together on a single sheet. Based on the example provided, this has been prepared and is attached as Appendix 2 at the end of this document)
- CIPFA's 2016 guidelines in respect of the new CIPFA/SOLACE Delivering Good Governance in Local Government: Framework
- review / update of the Council's local Code of Corporate Governance for 2023/24
- an annual assessment of compliance with the local Code (and effectiveness of governance arrangements)
- annual assurance statements from Corporate Management Team members, including input from their service Group Heads
- Service area Operational Risk Registers
- the Council's Corporate Risk Register, including updates for significant and emerging risks, common themes, etc. identified in the Service area ORR's
- assessment of other relevant sources of information that provide assurance
- the Internal Audit Annual Report & Opinion 2022/23 (to be presented to the Audit & Governance Committee on 25th July 2023 in conjunction with this document), which contains an assurance statement regarding internal control. From April 2022, the Council joined the Southern Internal Audit Partnership (SIAP) for the provision of its internal audit service and this report will be presented by the SIAP manager
- consideration of the Council's IT governance arrangements, to ensure they continue to be adequate to meet the authority's objectives
- the findings and comments of external audit raised in their annual Audit Results Report.

The arrangements required for gathering assurances for the preparation of the Annual Governance Statement provide an opportunity for the Council to consider the robustness of the governance arrangements in place, affecting all areas of the organisation, and helps to identify those areas where improvement is required.

The Annual Governance Statement has been reviewed by the Corporate Management Team and the Audit & Governance Committee. The process of preparing the Annual Governance Statement has in itself added value to the corporate governance and internal control framework of the Council.

Governance Issues

While the governance arrangements in place continue to be regarded as fit for purpose in accordance with the current framework, a small number of specific risks have been

identified which have been discussed with appropriate management and actions to mitigate them agreed.

The annual compliance review identified several issues requiring actions for improvement (some of which had not yet been completed from previous years) and these are identified in the action plan shown on the following pages. These will be considered and monitored by the Corporate Management Team, with action plans, timescales and a responsible Officer agreed. Progress to address these issues will also be reported to the Audit & Governance Committee.

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
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Issues identified in past Annual Governance Statements:-

<p>As at July 2021, the Council's external auditors advised that national resourcing issues meant that they would not be able to complete all their audits by 30 September and scheduled audit work for the Council in November 2021. This was not completed until early in 2022 and this meant the audited Accounts were not presented to the Audit & Governance Committee until February 2022.</p> <p>As at March 2022 Ernst & Young advised that the resourcing issues continued and that their audit work was again delayed. The 2021/22 Accounts were presented to the Committee in February 2023, but some work remained to be completed.</p> <p>E&Y has advised that work on the 22/23 Accounts will again be delayed and is anticipated this will take place in late-2023 meaning the audited Accounts will not be presented to Committee until at least February 2024.</p>	<p>The issue was reported to the Chief Executive and Chair / Vice-Chair of the Audit & Governance Committee and raised with Ernst & Young when presenting reports to the Committee.</p> <p>The Group Head of Finance will continue to liaise with the external auditors to ensure that the audited Accounts are presented to the Committee at the earliest opportunity and an appropriate explanatory note will again be posted with the draft Accounts.</p>	<p>Group Head of Finance</p>	<p>Feb 2024</p>
<p>In August 2018, the Regulator for Social Housing (RSH) determined that the Council had breached the Home Standard, specifically in relation to the failure to meet statutory Health & Safety requirements in respect of fire and water hygiene in relation to the Council's duties as a landlord to tenants and housing schemes. The Regulatory Notice was published by the RSH and advised by the Council to tenants and Members.</p>	<p>The Council's senior management and Housing Department agreed an action plan with the Regulator which has been monitored on a monthly basis. This covers a range of H&S aspects, with data being collected / analysed and contractors being engaged to ensure that risks are assessed and appropriate action is taken to address any deficiencies identified. The Council has worked with the Regulator through regular monthly updates and periodic telephone conversations.</p> <p>The Council has continued to work closely with the RSH and as suggested by the Regulator, the Council commissioned a compliance health check and the results be provided to the</p>	<p>Director of Services</p>	<p>July 2023</p>

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
	Regulator - it is anticipated that the issues have been resolved and the Regulator will release the Council from the Regulatory Notice in 2023.		
The Council's Equality, Diversity & Inclusion Policy was reviewed in 2022 and its adoption approved at the Policy & Finance Committee on 6 September 2022. However, an action plan to progress the work required at the Council is still outstanding.	Mandatory E&D training was provided to all staff in early 2022 and will be carried out every two years. Elected Members will also be briefed as part of their induction following the May 2023 Elections. Human Resources are reviewing how elements of the work required can be taken forward alongside the Council's culture change programme.	Group Head of Organisational Excellence	Ongoing
The Council's risk appetite, risk management strategy and corporate risk register were reviewed / updated in 2022 and staff training also provided to better embed risk management into the Council's operations and to link to the achievement of the Council's future priorities. The Council's operational risk registers (ORR) now require review and update to reflect the revised risk management strategy and to ensure that all services are covered following recent structure and staffing changes.	A review of operational risk registers for all service areas under the new risk management commenced in 2022/23 and will be completed in 2023/24 with any issues reported to CMT and significant risks considered for inclusion in the corporate risk register.	Finance & Risk Manager / CMT	July 2023
New issues identified in from the governance review for the preparation of the 2022/23 Annual Governance Statement:-			
The external auditors presented their Annual Results Report on the audit of the Council's Annual Accounts for 2021/22 at the Audit & Governance Committee in February 2023. While they advised that an unqualified opinion was expected, some audit work remained to be completed. As at the end of the financial year, this meant that the Council's Accounts and the Letter of Representation required had not been signed-off.	An appropriate notice advising of the situation has been posted alongside the Accounts on the Council's website. The Group Head of Finance will liaise with the Council's external auditors to ensure that the outstanding audit work is completed and the Accounts and Letter of Representation are signed-off at the earliest opportunity.	Group Head of Finance	ASAP

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
<p>The Council's CEO tendered his resignation and left the Council at the end of May 2023.</p> <p>The resignation coincided with the pre-election period for the District elections and this will delay decisions on the arrangements for filling the post either temporarily or permanently and the recruitment of a new CEO.</p>	<p>The new Council is now in place and has agreed that the 2 Directors will perform the duties of the Chief Executive on an interim basis in the short term.</p> <p>Full Council will consider and agree the processes for recruiting a replacement CEO either on an interim or permanent basis. Senior Member involvement will be required in the recruiting and selection process.</p>	Full Council	ASAP
<p>The Council's internal auditors (Southern Internal Audit Partnership) have issued limited assurance reports for 2 audits relating to lack of compliance with Contract Standing Orders. These relate to the use of agency workers and general procurement practices.</p>	<p>CMT have reviewed the reports and take appropriate actions in the findings, as agreed with SIAP.</p>	CMT	Ongoing
<p>The annual review of governance and drafting of the Annual Governance Statement has been undertaken by the same member of staff for a number of years. The staff member will be leaving the Council in 2023 and the role will no longer exist internally.</p> <p>There will therefore be a need to identify who and how the governance review and drafting of the AGS will be handled in the future.</p>	<p>SIAP have commenced a review of the existing process for the preparation of the AGS.</p> <p>Once their report is received any recommendation for the process in the future will be considered and an appropriate resource / process identified.</p>	Group Head of Finance	Mid-2023
<p>The Council has limited resource going forwards to undertake counter-fraud activity. The only specific fraud resource is Fraud Investigation & Enforcement Officer covering Housing.</p> <p>There will be a need to identify how more general fraud matters, including maintenance of policies and the administration / conduct of the Council's involvement in the mandatory National Fraud Initiative (NFI) will be handled in the future.</p>	<p>A SIAP review of the Council's Fraud Framework is due to commence shortly. This will consider the governance arrangements to prevent, detect and investigate fraud and irregularities.</p> <p>Once their report is received any recommendation for the process in the future will be considered and an appropriate resource / process identified.</p>	Group Head of Finance / CMT	Mid-2023

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
At the Annual Full Council meeting of 31 May 2023 (following the May elections) political control of the Council changed. Going forwards, it is likely that the Council's current vision / priorities, budget, etc. will subject to review.	Council management and officers will liaise with the new political leadership in order to agree and progress current / new priorities for the Council.	Corporate Management Team	Ongoing

Issues identified in the 2021/22 Annual Governance Statement that have now been resolved:-

The Council made the decision to move to a 'committee' structure from May 2021. This has involved agreement as to the governance structure and processes to be implemented and significant revision to the Council's Constitution and decision-making processes. However, there remains a concern that this change could delay important Council decisions which can no longer be taken by individual (Cabinet) Members.	<p>The future governance arrangements for the Council have been considered in line with their decision. Structure and associated changes to the Constitution have been progressed in liaison with Members and agreed by Full Council prior to the new structure coming into force following the Annual Council meeting in May 2021.</p> <p>Decisions will be taken by Full Council or delegated to committees or officers. Officers will be required to plan effectively to ensure that items are presented for decisions in line with the new committee structure / calendar.</p> <p>As at April 2022, the Constitution has been reviewed by the Interim Group Head of Law & Governance in light of the experiences of operating the committee system since May 2021. Potential changes have been considered by the Constitution Working Party and recommendations passed to Full Council. Future consideration is also being given to the number of service committees required and the frequency of committee and Full Council meetings which will be subject to further review in 2022.</p>	Interim Group Head of Law & Governance / Corporate Management Team	July 2022 / Ongoing
From March 2020 the nation became affected by the global Covid crisis. This had a significant impact on the finances and the ability of the Council and its key delivery	The Council was generally successful in maintaining its service provision and minimising the impact to residents despite most of its staff working away from Council offices.	Corporate Management Team	Ongoing

Governance Risks Identified:-

<u>Issue</u>	<u>Mitigating Action(s)</u>	<u>Responsible Officer</u>	<u>Target Date</u>
<p>partners to maintain key services through the various periods / levels of restrictions.</p> <p>Residents and businesses have faced significant hardships for an extended period, with the capacity of the health service, support organisations and national infrastructure being stretched.</p>	<p>The Council monitored central Government support initiatives and guidance and engaged with its key partners to best provide essential services. Through 2020-22 considerable sums of Government funding was distributed to support local businesses and provided support and guidance to local residents.</p> <p>As at early 2022, the Government roadmap towards relaxation of restrictions, including re-opening businesses, has progressed nationally and most restrictions have now been removed. However, in 2022 there is an ongoing impact on the national economy of Covid and other factors (e.g. increasing fuel process). The Council will therefore continue to consider its future finances and ways of working to best deliver services to residents.</p>		

Certification

It is our opinion that Corporate Governance, along with supporting controls and procedures, remained strong for the Council through 2021/22 despite the considerable pressures on the Council, staff and partners. Where governance risks have been identified, mitigating actions have been advised by appropriate Officers (as documented above).

Signed:-



Councillor Matt Stanley
Leader of Council

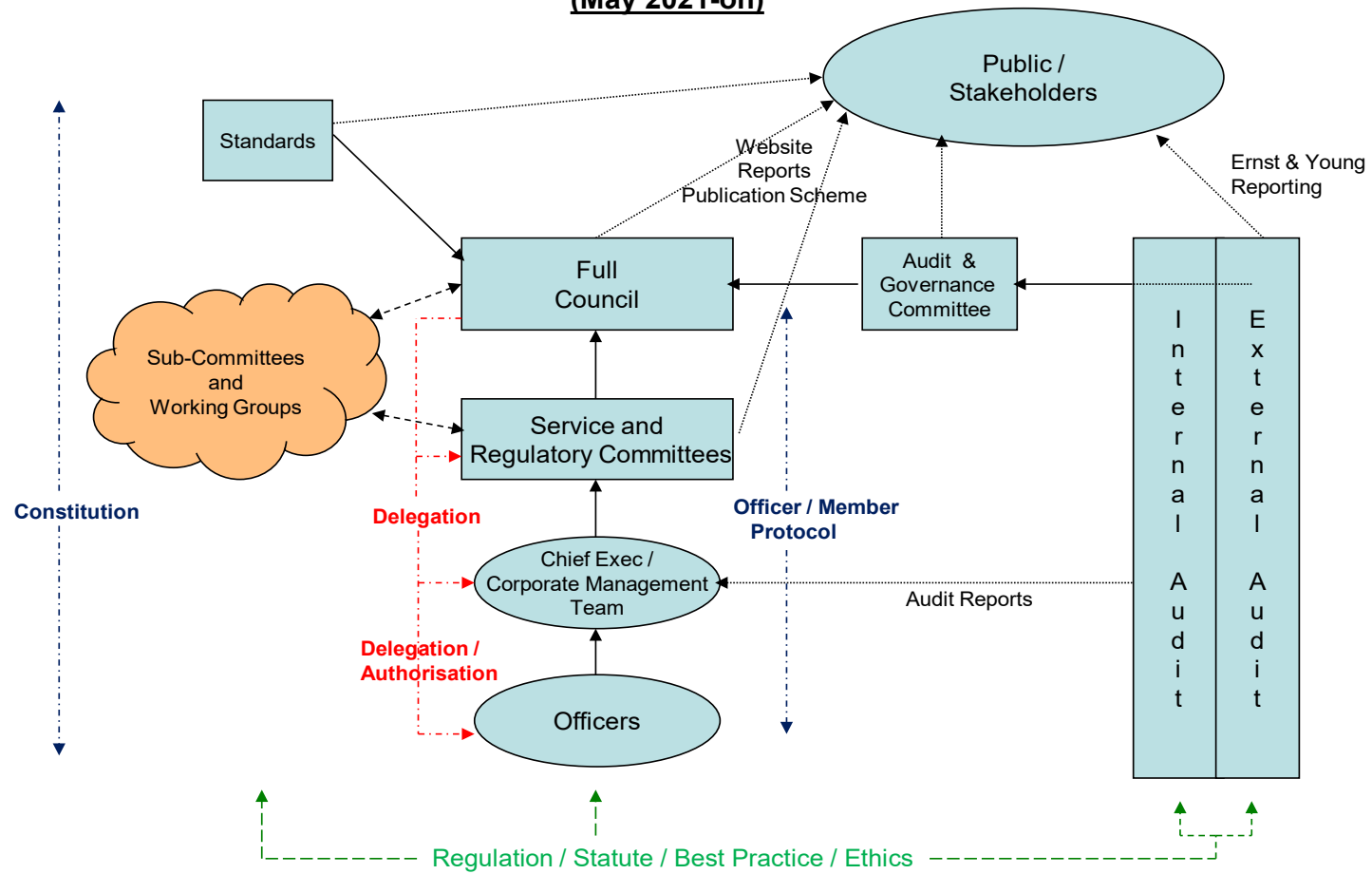
Philippa Dart
Joint Interim Chief Executives

Karl Roberts

on behalf of the Members and Senior Officers of the Council

Dated:- xx July 2023

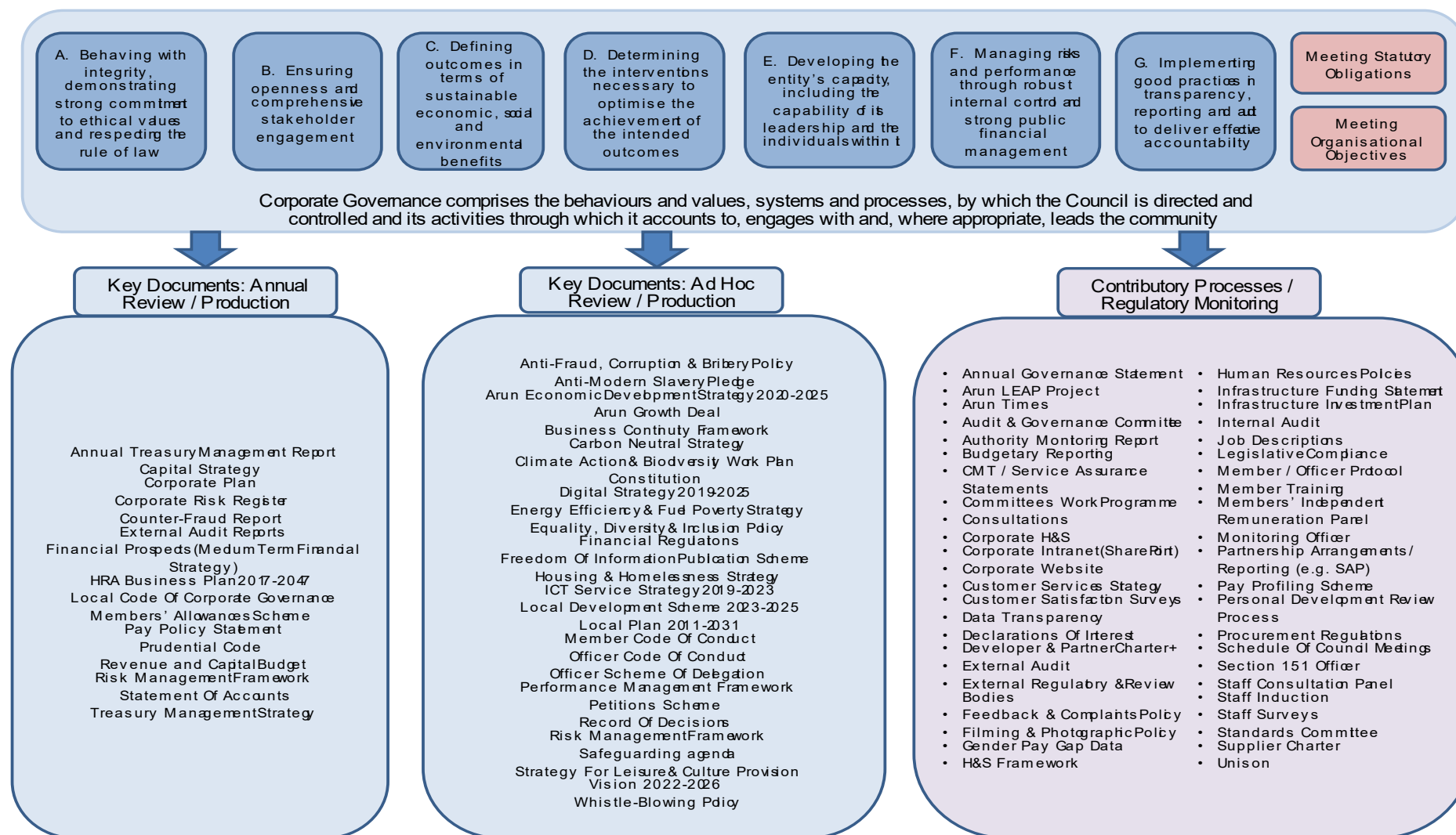
Arun District Council – Governance Structure
(May 2021-on)





Corporate Governance Framework

Principles, Statutory Obligations and Organisational Objectives



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Local Code of Corporate Governance

INTRODUCTION

Corporate governance is a term used to describe the way that the Council is directed and controlled and its activities through which it accounts to, engages with and, where appropriate, leads the community. It includes the behaviours and values, systems and processes that underpin the Council's arrangements for effective:-

- Leadership
- Management
- Performance
- Delivery of positive customer outcomes
- Community engagement
- Stewardship of public money.

Through this, it enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

GOOD CORPORATE GOVERNANCE

Arun District Council is committed to the principles of good corporate governance identified in the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (2016)' and confirms its commitment through the adoption, development and monitoring of its own Local Code of Corporate Governance.



This Framework is based upon the International Framework: Good Governance in the Public Sector, CIPFA / IFAC, 2014 which defines governance as follows:-

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved

It also states that:-

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders

The Council recognises that organisations with good corporate governance demonstrate the capacity to maintain high quality services and to deliver improvement. It will also encourage stakeholders to have confidence in us and allow the Council to undertake its role with its community.

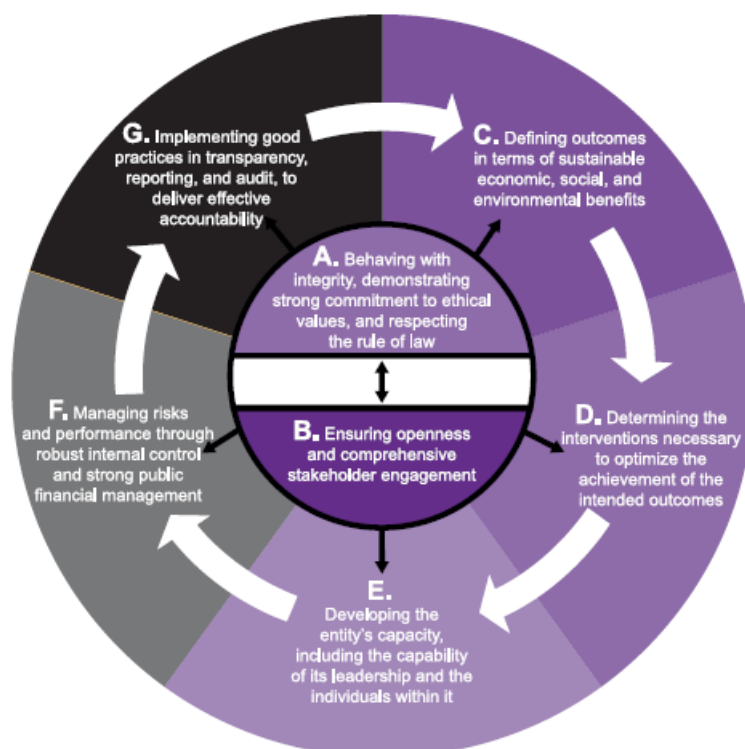
This document sets out Arun District Council's *Local Code of Corporate Governance* and the processes for monitoring its effectiveness. The Code provides the framework for the Council to achieve its aims and objectives. Compliance with the Code and any actions that may be needed to ensure its effectiveness in practice will be considered by the Corporate Management Team and reported annually to the Audit & Governance Committee (in conjunction with the Council's Annual Governance Statement).

CORE PRINCIPLES

The Code is based upon the following core principles (as set out in the 2016 Framework):-

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting and audit to deliver effective accountability

The correlation of these core principles is shown in the diagram below:-



The following shows how the Council meets these core principles:-

Principles	Sub-Principles	Demonstrated By
Acting in the public interest requires a commitment to and effective arrangements for:		
A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	Behaving with integrity	The Council's leadership sets a tone for the organisation by creating a climate of openness, support and respect Appropriate policies and processes are developed to embed the principles
	Demonstrating strong commitment to ethical values	Shared values, including leadership values, are developed and maintained for both the Council and its staff. These reflect public expectations and are communicated to Members, staff, the community and partners
	Respecting the rule of law	Standards of conduct and personal behaviour expected of Members and staff are defined and communicated through Codes of Conduct and protocols Council leadership recognises the limits of lawful action and observes both legislation and general responsibilities placed on local authorities Mechanisms are in place to deal with breaches of legal and regulatory provisions effectively

B. Ensuring openness and comprehensive stakeholder engagement	Openness	The Council is committed to openness and transparency in all its dealings, subject only to the need to preserve confidentiality where it is proper and appropriate to do so Open and effective mechanisms are in place for recording decisions and the evidence on which these are based
	Engaging comprehensively with institutional stakeholders ⁽¹⁾	Consideration is given to the institutional stakeholders to whom the Council is accountable and assessment made on the effectiveness of the relationship and any changes required
	Engaging with individual citizens and service users effectively	Ensuring that clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements to ensure that they operate effectively Undertaking appropriate consultation and customer satisfaction exercises
In addition to the overarching requirements for acting in the public interest in principles A and B, achieving good also requires a commitment to and effective arrangements for:		
C. Defining outcomes in terms of sustainable economic, social and environmental benefits	Defining outcomes	Developing and promoting the Council's purpose and vision and using this as a basis for corporate / service planning and shaping other key strategies. New Vision Objectives and Outcomes have been agreed for the Council Vision 2022-2026 Focussing on the purpose of the Council and on outcomes for the community and publishing them annually as part of the Corporate Plan
	Sustainable economic, social and environmental benefits	Regular review of the Council's vision and its implications for the Council's governance arrangements and economic, social and environmental benefits Consideration of social and environmental impacts in policies / decisions and promoting the Council's green agenda Supporting / promoting environmental initiatives for itself and its residents
D. Determining the interventions necessary to optimise the achievement of the intended outcomes	Determining interventions	Published annual and periodic reports to the public and Members which communicate the Council's activities, achievements, plans, financial position and performance Interventions required are identified through these reports
	Planning interventions	Performance, audit, risk and finance information is used to identify areas of concern and to plan required interventions
	Optimizing achievement of intended outcomes	An agreed annual Budget and Medium Term Financial Strategy, together with a Capital Strategy and an updated Housing

		Revenue Account Business Plan, to ensure that finances are available to enable delivery of the Council's plans SMART outcomes, of benefit to the community, underpinned by robust plans and efficient business activity
E. Developing the entity's capacity, including the capability of its leadership and the individuals within it	Developing the entity's capacity	Clear vision, strategy and direction, underpinned by capable leadership Ongoing work to ensure the best provision of future services that can be delivered effectively, including changes as a response to the Covid crisis (in 2020-21) and the ongoing economic climate
	Developing the capability of the entity's leadership and other individuals	Recruitment and retention of high performing staff and supplier partners Development training provision for senior managers
F. Managing risks and performance through robust internal control and strong public financial management	Managing risk	Embedded risk management processes which are linked to corporate priorities, project delivery and organisational processes Horizon scanning for potential future risks / opportunities
	Managing performance	Performance targets set in agreement with Members, with outturns regularly monitored and reported to stakeholders
	Robust internal control	Appropriate preventive / detective controls in place include segregation of duties, approval / authorisation processes, security of assets and audits (both internal and external)
	Managing data	Robust information governance standards and security mechanisms in place These have been reinforced and all staff provided with ongoing training to meet the requirements of the General Data Protection Regulation (GDPR) / Data Protection Act 2018
	Strong public financial management	Annual Budget agreed by Full Council, with accountable budget holders, and subject to regular monitoring / reporting Medium Term Financial Strategy, Capital Strategy, Housing Revenue Account Business Plan and Treasury / investment strategy agreed and regularly reviewed Audited annual statement of accounts
G. Implementing good practices in transparency, reporting and audit to deliver effective accountability	Implementing good practice in transparency	Meeting Local Government Transparency Code requirements Committee model of governance in place to encourage constructive challenge and performance improvement

		Transparency, accountability and integrity demonstrated through the Council's governance framework
	Implementing good practices in reporting	Processes for report publication ensure that there is appropriate consideration of legal, financial, technical and risk matters Ensuring that there is 'ownership' by appropriate senior management and Members
	Assurance and effective accountability	Ensuring that recommendations made by external audit are acted upon Ensuring an effective internal audit service, with direct access to Members is in place Welcoming peer challenge, review and inspections from regulatory bodies

(1) - institutional stakeholders are the other organisations that local government needs to work with to improve services and outcomes (such as commercial partners and suppliers as well as other public or third sector organisations) or organisations to which they are accountable

Arun District Council

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REPORT TO:	Audit & Governance Committee 25 July 2023
SUBJECT:	Counter-Fraud Report 2022/23
LEAD OFFICER:	Stephen Pearse, Internal Audit Manager
LEAD MEMBER:	Cllr Dr Walsh
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: Arun District Council is committed to the prevention, detection and investigation of fraud and corruption. It is expected that all those who work for, serve or deal with the Council will act in a fair and honest way	
DIRECTORATE POLICY CONTEXT: The Local Government Transparency Code requires the Council to publish certain information on its website on its counter fraud work on an annual basis and this report provides more detail for consideration by Members	
FINANCIAL SUMMARY: N/A	

1. PURPOSE OF REPORT

- 1.1. To present to the Committee a report updating the Committee on Counter-Fraud 2022/23, including a number of appendices of supporting information

2. RECOMMENDATIONS

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

3. EXECUTIVE SUMMARY

- 3.1 The Audit & Governance Committee is the designated body for oversight of the Council's anti-fraud culture.

As part of its agreed workplan, an annual report on counter-fraud activity is presented to update the Committee.

4. DETAIL

- 4.1 Attached is the report updating the Committee on Counter-Fraud 2022/23, including a number of appendices of supporting information.

The Council has previously considered its position in respect of the published 'Fighting Fraud and Corruption Locally 2020' – the updated counter fraud and corruption strategy for local government.

5. CONSULTATION

- 5.1. N/A

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. N/A – the report is for information only

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

- 7.1. There are no direct financial implications arising from this report other than the adverse impact that any fraudulent activity has on the Council's reserves. However, the Council is now clearly operating in an environment whereby fraudulent activity is much more commonplace and likely to have a direct impact. To this end, the Group Head of Finance and Section 151 Officer will undertake a review to assess the effectiveness of the current control framework and the resources required to safeguard the Council's assets as much as possible.

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. This report is for information only. Specific and service fraud risks are considered in more detail in the Council's Fraud Operational Risk Register

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

- 9.1. The Accounts and Audit (England) Regulations 2015 require that the Council must ensure that it has a sound system of internal control which facilitates the effective exercise of its functions and the achievement of its aims and objectives; ensures that the financial and operational management of the authority is effective; and includes effective arrangements for the management of risk.
- 9.2. Further, the Group Head of Finance has a statutory duty to ensure that there are proper arrangements in place to administer the Council's financial affairs.
- 9.3. Counter-fraud practices set out in this report address the need to counter fraud, money laundering, bribery and the proceeds of crime. The Council's policies guide it on the investigatory and prosecution process.

10. HUMAN RESOURCES IMPACT

- 10.1. There are no impacts.

11.HEALTH & SAFETY IMPACT

11.1. There are no impacts.

12.PROPERTY & ESTATES IMPACT

12.1. There are no impacts.

13.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. There are no impacts.

14.CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. There are no impacts.

15.CRIME AND DISORDER REDUCTION IMPACT

15.1. There are no impacts.

16.HUMAN RIGHTS IMPACT

16.1. There are no impacts.

17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no specific FOI or Data Protection implications.

CONTACT OFFICER:

Name:	Stephen Pearce
Job Title:	Internal Audit Manager
Contact Number:	01903 737561

BACKGROUND DOCUMENTS:

N/A

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Audit & Governance Committee

Counter-Fraud Report 2022/23



Introduction

CIPFA defines fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."

Similarly, in *The Investigation of Fraud in the Public Sector* (CIPFA, 1994) CIPFA defined corruption as "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person." Furthermore, the Fraud Act 2006 has defined fraud in law for the first time, defining it in three classes:

- fraud by false representation;
- fraud by failing to disclose information; and
- fraud by abuse of position.

Fraud may be committed both from within the organisation and from outside it. Frauds may be complex or simple, opportunistic, pre-planned or continuous.

In June 2013, the National Fraud Authority estimated that fraud was costing the UK £52 billion a year. It estimated that the loss in the public sector was £20.6 billion, with £2.1 billion of this specific to local government (see Appendix 1). In the public sector, every pound lost through fraud directly affects citizens by increasing national and local taxation or threatening the provision of local services. (At the present time, CIPFA advise that this still remains the last, most reliable and comprehensive set of figures available). However, most recent estimates are higher and an alternative Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole.

The current financial climate, which worsened due to the global Covid-19 crisis and later with increased food and fuel prices leading to the cost-of-living crisis, has increased the likelihood of fraud being perpetrated against the Council. The Audit & Governance Committee has oversight responsibility for the anti-fraud culture within the Council and receipt of annual Counter-Fraud Report is included in the Committee's agreed workplan.

Fighting Fraud & Corruption Locally

In early 2020, CIPFA published "Fighting Fraud & Corruption Locally – A strategy for the 2020s" (FFCL 2020) which succeeded the previous FFCL strategies written in 2011 and 2016.

In the Executive Summary, it advises:-

- *"Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains"*
- *"Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions may be far reaching."*

The strategy also advises:-

- *"The previous two strategies focussed upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'. These pillars are still applicable.....However, another two areas of activity have emerged that underpin tenets of these pillars. These are 'govern' and 'protect'.*

The pillar of ‘govern’ sits before ‘acknowledge’. It is about ensuring the tone from the top and should be included in local counter fraud strategies.”

- **Govern:** Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance
- **Acknowledge:** Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response
- **Prevent:** Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture
- **Pursue:** Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

- **Protect:** Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

➤ *Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:*

- *Culture*
- *Capability*
- *Competence*
- *Capacity*
- *Communication*
- *Collaboration*

➤ ***This strategy***

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*

With the past work performed on counter-fraud processes and specific high-risk areas, the Council is already well-aligned with the local elements of FFCL. The Council will continue to consider current and emerging fraud risk, both generally and in future service area audits.

Chief Executive Statement

The FFCL 2020 document re-emphasises the 2011 and 2016 message that “*acknowledgement must start at the top and lead to action*”. In response to this, the Council’s then Chief Executive (James Hassett) affirmed that:-

“This Council recognises that fraud is a significant issue nationally and that every successful fraudulent act places an additional financial burden on the honest residents and taxpayers of the District. In collaboration with both central government and our local partners, we will ensure that effective ongoing measures are in place to prevent, detect and pursue fraud against the Council.”

Counter-Fraud Activities

General

The Council is required to provide information on fraud arrangements, etc. in response to the annual request from the external auditors (Ernst & Young LLP), relating to the risks of, identification of and responses to fraud (relevant to ISA 240 – ‘The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements’).

Various publications and briefings on fraud are held by the Council (e.g. from central government, CIPFA, etc.) and the guidance and recommendations in these documents has been used as a basis for counter-fraud work by Internal Audit.

Arun District Council is committed to the prevention, detection and investigation of fraud and corruption. It is expected that all those who work for, serve or deal with the Council will act in a fair and honest way.

The Council has a specific Anti-Fraud, Corruption & Bribery Policy, including the requirements of the Bribery Act 2010. The original 2013 document was reviewed / updated in 2019 and adopted by Full Council in January 2020. There are also other policies and procedures that support and promote this.

There is also a published Fraud Response Plan, which was reviewed / updated and the changes noted by the Audit & Governance Committee in December 2017.

The Council’s Whistleblowing Policy (in respect of the Public Interest Disclosure Act 1998) is periodically reviewed and is published on the Council’s web site.

The Council’s internal audit service is now provided by the Southern Internal Audit Partnership (SIAP) and any specific fraud concerns would be referred to them for investigations. They are also scheduled to review the Council’s fraud framework (including the policies mentioned above) in 2023 and any recommendations for improvement will be considered by senior management.

The Fighting Fraud & Corruption Locally strategy recommended that Councils publicise the risks of fraud and encourage public response. Information on the key fraud risk areas facing the Council and contact numbers for members of the public to report suspected fraud cases / concerns is set up as a ‘Fraud’ area on the Council’s web site. A small number of articles in relation to fraud (e.g. Single Person Discount) have previously been provided by the Council for publication in the local press and updates have also been provided to Members (e.g. in respect of work undertaken on housing fraud).

No fraud and / or corruption investigations have been carried out during the year in respect of Members, under the Code of Conduct.

Benefits Investigations

Until December 2015, the Council had a small, dedicated Benefits Investigations team handling benefit-related fraud and investigations. Under the Welfare Reform Act 2012, benefits investigations were centralised into a 'Single Fraud Investigation Service' operated under the control of the DWP, although the Council is still required to provide data to support DWP investigations. Members of the public are still encouraged to report suspected incidents of fraud via the National Benefit Fraud Hotline or through a link to the appropriate www.gov.uk pages on the Council's website.

Housing Tenancy

As advised in past reports, housing tenancy fraud is an area of significant concern to the Government and this is now a criminal offence under the Prevention of Social Housing Fraud Act 2013.

The Council has over 3300 properties in its social housing stock and there is a dedicated Fraud Investigation & Enforcement Officer post within Housing. In addition to investigating active fraud leads, the investigator's remit included prevention - working with other areas of Housing in respect of:-

- the verification process for acceptance to the Housing Register
- the process for verifying Right To Buy entitlement to purchase Council properties
- exchange and succession requests.

(Prevention of housing tenancy fraud allows the placement of new tenants from the Housing Register and potentially reduces emergency B&B costs).

The Audit & Governance Committee now receives an annual progress update on housing tenancy fraud from the Neighbourhood Services Manager (most recently in February 2023).

In 2022/23 the Fraud Investigation & Enforcement Officer advises there were:-

- 267 referrals received
- 10 properties successfully obtained back
- 4 mutual exchange applications refused
- c. £8.6k of Housing Benefit and Council Tax reclaimed,

with an estimated financial saving to the Council of c. £1.3M. (The government currently estimates that cases of prevented social housing tenancy fraud are valued at £93,000 per property, based on an average four-year fraudulent tenancy and an estimate of the duration that the fraud may have continued undetected).

Other Investigations

Other than the two above areas, all other fraud work is the responsibility of Internal Audit (except for any electoral fraud issues, which are handled by the Returning Officer / Police).

National Fraud Initiative

The Council is a mandatory participant in the National Fraud Initiative (NFI), now operated by the Cabinet Office. This is a data matching exercise that involves comparing records held by one body against other computer records held by the same or another body to see how far they match. An example would be comparing Arun District Council Housing Benefit claimants with the licensed taxi drivers recorded by Arun and other Councils.

Data for the 2022 main biennial NFI review (covering a wide range of areas e.g. housing, licensing, payroll, creditors, etc.) was provided to the Cabinet Office in October 2022 and reports have been received and review commenced, with queries identified referred to Housing and Benefits.

In December 2022, Council Tax and Electoral Roll data was again provided for annual Council Tax SPD entitlement checking and the match reports received. Review of these is progressing and any queries on entitlement to SPD will be referred to the Revenues section.

Since March 2020, in response to the Covid-19 crisis, the Government has provided significant funds to the Council for distribution to qualifying local businesses in line with guidance issued for a number of mandatory and discretionary grant schemes. Through the Covid period and into 2022/23, the Council has distributed over £50M in respect of these. At the outset, the Government was concerned that unscrupulous parties would take advantage of the crisis to obtain funds to which they were not entitled and the Government Counter Fraud Function (GCFF) requested local authorities undertake appropriate checks to minimise the risk of fraud. From 2020, the requirement for pre- and post-payment assurance checking has been extended across the various different schemes by the Department for Business, Energy & Industrial Strategy (BEIS), often with different eligibility criteria and checking requirements. Between them, the Revenues section (mandatory grants) and the Economy section (discretionary grants) have processed over 11000 grant payments to eligible businesses after appropriate checks have been undertaken and any queries / suspicious applications investigated. A significant amount of work has also been undertaken by Internal Audit (in liaison with the two areas) in respect of post-payment assurance checks and reconciliation of scheme payments to meet BEIS checking and reporting requirements and this work is continuing, following closure of the remaining schemes on 31 March 2022.

From April 2022 the Council has also distributed almost £9M of Government funding in support of national schemes to assist residents with their increased fuel bills, through Council Tax Energy Rebate payments and to qualifying applicants through the Energy Bills Support Scheme (EBSS) Alternative Fund and Alternative Fuel Payments. These have required similar levels of pre- and post-assurance checking by Revenues and Internal Audit staff.

Other Revenues Activity

The Council's Revenues area also undertakes a number of other checks in order to reduce the risk of fraud in respect of the eligibility for Council Tax and Non-Domestic Rates (NDR) exemption or reduction. These include:-

- inspection of empty business rated properties
- review of mandatory and discretionary NDR discounts
- review of entitlement to Council Tax exemptions and other discounts
- inspection of residential properties that have been empty for more than 2 years
- contact by the Empty Homes Officer with homeowners where the property has been empty for 6-18 months.

In respect of the last 2 points, a further 128 properties have been brought back into occupation and the 'empty' status removed in 2022/23 through the direct intervention of the Empty Homes

Officer which currently has a positive impact on the Council's New Homes Bonus income. (This is also reported to Members in Corporate Plan indicator CP22).

Local Government Transparency Code

The Local Government Transparency Code, *'issued to meet the Government's desire to place more power into citizens' hands to increase democratic accountability and make it easier for local people to contribute to the local decision making process and help shape public services'* was extended in 2014 to include fraud information.

The Council must now publish certain information on its website on its counter fraud work on an annual basis and this will contain some information that is covered in more detail in this report.

Future Activities

Managing the risk of fraud and corruption is the responsibility of management. Audit procedures alone cannot guarantee that fraud or corruption will be detected.

Internal Audit (or the Housing Fraud Investigator for tenancy-related cases) should be informed of all suspected or detected fraud, corruption or improprieties for investigation and to allow the effectiveness of any relevant controls to prevent / detect such cases to be reviewed. The implications of any identified fraud and corruption will also be assessed against the Council's overall governance arrangements. Internal audit (now through SIAP) provides an annual opinion on the adequacy and effectiveness of the systems of internal control operating within the Council and any identified cases of fraud or corruption may influence this opinion.

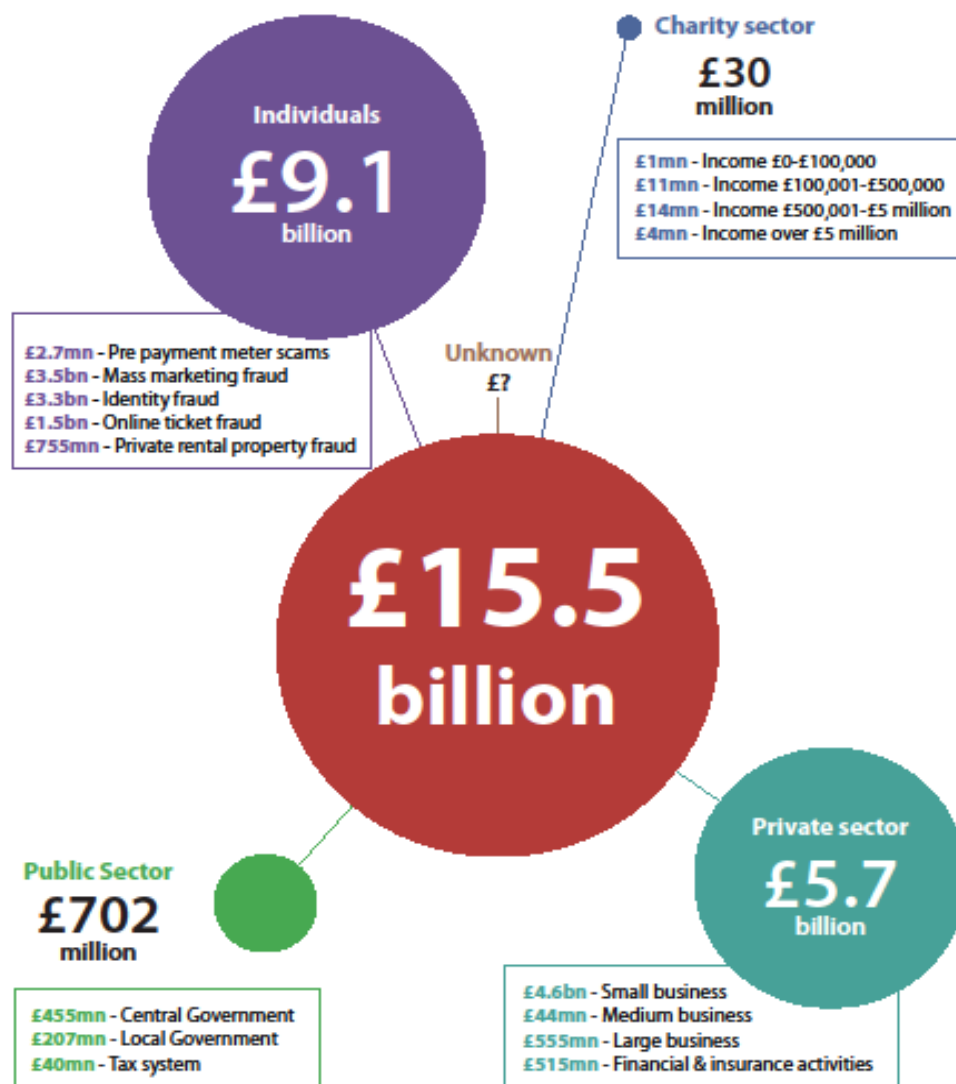
Further to the publication of CIPFA's Code of Practice on Managing the Risk of Fraud & Corruption and the revised Fighting Fraud & Corruption Locally strategy, the Council has considered the content and the actions to be taken in the coming years and:-

- will monitor the progress of national initiatives and engage in the various consultations that will be required to implement the strategy
- will continue to examine reports on initiatives undertaken at other local authorities, together with published guidance and advisory documents, to ensure that lessons learnt and emerging fraud risks are considered as part of our counter-fraud activities
- will continue to assess our current activities against the best practice contained in the strategy for local consideration and ensure that our counter-fraud activities are as effective as possible
- will ensure that appropriate counter-fraud measures remain in place in service areas impacted by changes from management / operational restructures or efficiency / cost saving initiatives.

SIAP are due to review the Council's fraud framework in 2023 and recommendations for improvement will be considered / progressed by senior management.

As identified in the report, counter-fraud work is already performed by the Council in a number of areas, in addition to the continual consideration of emerging fraud risks and assessment of the Council's policies and procedures against best practice and appropriate guidance notes.

Figure 1: Identified fraud loss estimates by victim

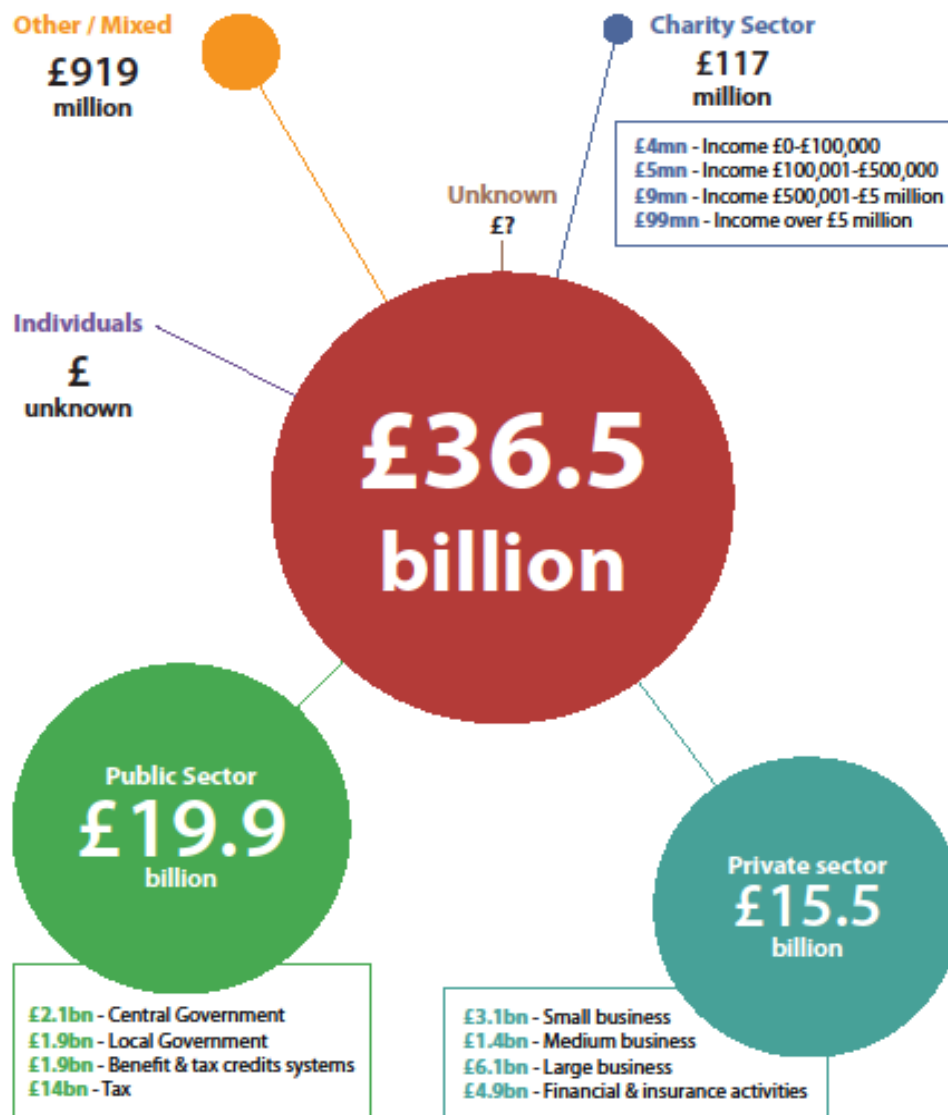


N.B: The identified fraud loss estimates include both identified fraud losses and estimates that have been extrapolated to sectors. It is not always possible to clearly demarcate fraud types to identified and hidden fraud losses as some estimates spread across both.

The identified fraud loss figures are likely to be an under estimate in some areas where the NFA have not been informed of detected losses, therefore, fraud losses are unknown, rather than zero or not present. See annex 2 for fraud by type breakdown.

Please note figures may not add up exactly due to rounding.

Figure 2: Hidden fraud loss estimates by victim



N.B: It is not always possible to clearly demarcate fraud types to identified or hidden fraud losses as some estimates spread across both. The hidden fraud loss estimate therefore includes those estimates that bridge both hidden and identified fraud losses (see annex 2).

See overleaf and annex 2 for a breakdown of losses within victim type.

Please note figures may not add up exactly due to rounding.

Annex 2: Breakdown of losses by victim

Fraud loss by victim sector	Victim	Total estimated fraud loss	Fraud type	Fraud loss	Identified loss	Hidden loss
Public Sector £20.6 billion	Tax system	£14.0 billion	Tax fraud	£14.0 billion	£14 billion	
			Vehicle excise fraud	£40 million	£40 million	Unknown
	Central government	£2.6 billion	Procurement fraud	£1.4 billion	£1.4 billion	
			Grant fraud	£504 million	£504 million	
			Television licence fee evasion	£204 million	£204 million	
			Payroll fraud	£181 million	£181 million	Unknown
			NHS patient charges fraud	£156 million	£156 million	Unknown
	NHS		NHS dental charge fraud	£73 million	£73 million	Unknown
			Student finance fraud	£31 million	£31 million	Unknown
			Pension fraud	£14 million	£14 million	Unknown
			National Savings and Investments fraud	£0.40 million	£0.40 million	Unknown
			Housing tenancy fraud	£845 million	£845 million	
	Local government	£2.1 billion	Procurement fraud	£876 million	£876 million	
			Payroll fraud	£154 million	£154 million	Unknown
			Council tax fraud	£133 million	£133 million	
			Blue Badge Scheme misuse	£46 million	£46 million	Unknown
			Grant fraud	£35 million	£35 million	
Benefit and tax credits systems	Benefit and tax credits systems	£1.9 billion	Pension fraud	£71 million	£71 million	Unknown
			Benefit fraud	£1.2 billion	£1.2 billion	
			Tax Credits fraud	£670 million	£670 million	

*Black, red, amber, green (BRAG) Assessment Confidence Indicator

BRAG	Level of confidence
Black	Poor
Red	Average
Amber	Good
Green	Excellent

Note:

Perceived level of confidence is based upon management assumptions and judgement to provide an illustrative indication of the quality of data available to produce an estimate. NB: It is not always possible to demarcate clearly the fraud by type estimates to identified or hidden losses as some estimates spread across both. Further, it should be noted that fraud identified as being 'unknown' does not mean that no fraud exists, but rather that no fraud has been identified, measured or is estimable. Not all fraud types are included in the breakdown due to the possibility of double counting. Due to rounding some figures may not add up exactly.

Counter-Fraud for data transparency

S43 of the Local Government Transparency Code 2014, requires local authorities to publish information about their counter fraud work.

The attached figures cover the period 1/4/2022 – 31/3/2023.

Number of occasions powers were used under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers

- | | |
|------------------|----------|
| • Internal Audit | Not used |
| • Revenues | Not used |
| • Benefits | Not used |
| • Housing | Not used |

Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud

- | | |
|------------------|---|
| • Internal Audit | One employee (approx. 0.1 FTE) may be involved in investigations that could relate to fraud and also reviews potential fraud cases from annual National Fraud Initiative (NFI) reports received
(Since April 2022, the Council's internal audit service has been provided by the Southern Internal Audit Partnership (SIAP) who would now conduct any specific fraud investigations, as and when required) |
| • Benefits | Investigations staff were transferred to the DWP SFIS in December 2015. No fraud officer since April 2019. |
| • Housing | One Fraud Investigation & Enforcement Officer since June 2021 (0.6 FTE) |
| • Legal Services | No prosecutions in 2022/23 |

Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists

- | | |
|------------------|---------------|
| • Internal Audit | None |
| • Benefits | None |
| • Housing | One (0.6 FTE) |

Total spent by the authority on the investigation and prosecution of fraud

- | | |
|------------------|---|
| • Internal Audit | c. £6k (based upon staff time) |
| • Revenues | c. £2.5k (additional review of NFI reports) |
| • Housing | c. £25k |

Total number of fraud cases investigated

- | | |
|------------------|------------------------------------|
| • Internal Audit | General review of NFI reports only |
| • Housing | 267 referrals received |

Covid-19

Since March 2020, the Council has been responsible for the distribution of over £50M of Government Covid-19 business support grants. As part of this, the Government has required significant pre- and post-payment assurance checking to prevent fraud. This work has been undertaken by staff in the Revenues, Economy and Internal Audit sections. Time and costs for this have not been calculated, but as part of the Covid-19 response the Council has received 'New Burdens' funding from the Government to cover this. Final payments under these schemes were made in March 2022, but assurance work continued through 2022/23.

Energy Payments

From April-November 2022 the Council was responsible for the distribution of c.£8.5M of Government funding for their Council Tax Energy Rebate scheme and since March 2023 for further payments under their Energy Bills Support Scheme (EBSS) – Alternative Funding and Alternative Fuel Payments schemes, to assist residents with the significant rise in energy prices. Pre- and post-payment assurance work has also been required to be undertaken by Revenues and Internal Audit staff for these schemes and final payments are due to be made by the end of June 2023.

It should be noted that more detailed information on the Council's counter-fraud activities is presented to the Audit & Governance Committee in July, covering the previous financial year. A copy of this report is provided on the Data Transparency web page. <http://www.arun.gov.uk/transparency>

REPORT TO:	Audit and Governance Committee – 25 July 2023
SUBJECT:	Treasury Management – Annual Report 2022/23
LEAD OFFICER:	Sian Southerton, Senior Accountant (Treasury)
LEAD MEMBER:	Cllr Walsh
WARDS:	All
CORPORATE PRIORITY/POLICY CONTEXT/CORPORATE VISION: The Treasury Management function is required by regulation and has an effect on all Directorates of the Council.	
DIRECTORATE POLICY CONTEXT: This report is the Treasury Management Annual Report 2022-23. This report summarises: <ul style="list-style-type: none"> • Capital activity during the year; • Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement); • The actual prudential and treasury indicators; • Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances; • Summary of interest rate movements in the year; • Detailed debt activity; and • Detailed investment activity. 	
FINANCIAL SUMMARY: There are no direct financial implications arising from this report.	

1. PURPOSE OF REPORT

1.1. The purpose of this report is to present the Treasury Management Annual report for activities in 2022/23 and to enable the Audit and Governance Committee to scrutinise the report prior to taking it to Full Council on 8 November 2023.

- 1.2. This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.3. During 2022/23 the minimum reporting requirements were that the Full Council should receive the following reports:
- an annual treasury strategy in advance of the year (Council 9 March 2022)
 - a mid-year, (minimum), treasury update report (Council 18 January 2023)
 - an annual review following the end of the year describing the activity compared to the strategy, (this report)
- 1.4. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.5. This Council confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Audit and Governance Committee before they were reported to the Full Council.
- 1.6. All Councillors were invited to attend a Treasury Management briefing presented by Link Group (the Councils treasury advisors) to support Members' scrutiny role. The last briefing was held on 3 October 2022 of which 10 Members attended and the first training session for Members was on the 4th July 2023, and was a more in depth session due to the introduction of the 2021 codes. 22 Members attended this session.

2. RECOMMENDATIONS

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

- 2.1. approve the actual prudential and treasury indicators for 2022/23 contained in the report
- 2.2. note the annual treasury management report for 2022/23; and
- 2.3. note the treasury activity during 2022/23 which has generated interest receipts of £1,455,650 (2.35%). Budget £370,000 (0.84%)
- 2.4. approve the addition of Handelsbanken Plc (Fitch rating AA, F1+) and Natwest Markets Plc (NRFB–Non Ring Fenced Bank) (Fitch rating A+, F1) to the 2023-24 treasury management strategy:
- 2.5. note that as agreed at Audit & Governance Committee on the 28 February 2023, the Qatar National Bank and First Bank of Abu Dhabi have been removed from the counterparties list in the Council's Treasury Management Strategy.

3. EXECUTIVE SUMMARY

- 3.1. During 2022/23, the Council complied with its legislative and regulatory requirements. Including confirmation that the authorised limit was not breached.

3.2. The actual prudential and treasury indicators are to be found in the body of this report and in appendix 1.

4. DETAIL

4.1. This can be found in the body of the report and in appendices 1-3

- Appendix 1 Prudential and treasury Indicators
- Appendix 2 Authorised Counterparties
- Appendix 3 Investments held at 31 March 2023

At the Audit and Governance meeting on 28 February 2023, it was requested that findings should be reported back to the Committee on the early withdrawal of all investments in Qatar National Bank (QNB) and First Abu Dhabi Bank (FADB).

Investments at the time of the meeting are shown in the table 4.2.

Table 4.2:

Counterparty	Investment date	Maturity Date	Amount Invested £	Rate of Investment
Qatar National Bank	06/07/2022	06/01/2023	1,000,000	2.325
First Abu Dhabi Bank	07/07/2022	05/01/2023	1,000,000	2.14
Qatar National Bank	11/08/2022	13/02/2023	1,000,000	2.715
Qatar National Bank	28/09/2022	05/04/2023	4,000,000	4.685
First Abu Dhabi Bank	21/07/2022	21/07/2023	1,000,000	3.010
TOTAL			8,000,000	

All of these will have matured by 21 July 2023 and no further investments will be placed with them. Appendix 2 shows they are no longer on the Councils lending list.

Discussions took place with our advisors (Link Group), the brokers who actioned the deals and neighbouring Councils, and these were the findings:

- The deposits are term deposits and there is no function built in to enable any request for early repayment. There is therefore no set cost to be calculated for early repayment and banks can name their price. Funds were more expensive and harder to come by at the time, so the banks would have faced additional costs replacing the money which would impact the penalty.
- There would be a reputational risk in the markets which we cannot put a value on, but it could potentially risk the value and availability of all future investments.
- Administrative works are likely to be lengthy for the banks in unwinding their positions.

The view of our brokers and advisors, was that the banks would probably have refused to return the funds. It was commented that the brokers last successful recall of funds was as long ago as 2007 before the banking crisis and they have not since managed to recall this sort of deposit.

5. CONSULTATION

5.1. Consultation has been undertaken with the Council's Treasury Advisors – Link Group, Link Treasury Services Limited.

6. OPTIONS / ALTERNATIVES CONSIDERED

6.1. The Treasury Management Annual Report is a mandatory requirement under the Local Government act 2003 and therefore the only option available is to accept the recommendations (2.1, 2.2, 2.3).

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

7.1. The financial implications arising from Treasury Management are outlined throughout the report.

8. RISK ASSESSMENT CONSIDERATIONS

8.1. 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

8.2. 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. None direct

11.HEALTH & SAFETY IMPACT

11.1. None direct

12.PROPERTY & ESTATES IMPACT

12.1. None direct

13.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

13.1. None

14.CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. To support the Council's 2030 carbon neutral target there should be consideration to transitioning current (and future) investments into more sustainable investment options. Currently this makes up 2.32% of the Council's total emissions, resulting in roughly 628.96 tCO2e being produced as per the carbon emissions audit 2021-2022.

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

14.3. Further options with be explored and considered.

15.CRIME AND DISORDER REDUCTION IMPACT

15.1. None

16.HUMAN RIGHTS IMPACT

16.1. None

17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. None

CONTACT OFFICER:

Name: Sian Southerton

Job Title: Senior Accountant (Treasury)

Contact Number: 01903 737861

BACKGROUND DOCUMENTS:

- The Local Government Act 2003 ([The Local Government Act 2003](#)).
- CIPFA'S Treasury Management in the Public Services: Code of Practice and Cross Sectoral Guidance Notes (2017). The updated code (2021) has been adopted as part of the 2023-24 Strategy (*Link not available as copyright*).
- Cipfa Treasury Management Guidance notes (2018) (*Link not available as copyright*)
- The Prudential Code for Capital Finance in Local Authorities (2017). The updated code (2021) has been adopted as part of the 2023-24 Strategy (*Link not available as copyright*).
- DLUHC's Guidance on Local Government Investments
[Guidance on local government investments.pdf \(publishing.service.gov.uk\)](#)
- Link Asset Services Ltd TMSS Template 2022/23. (*Link not available as copyright*).
- 2022/2023 Strategy
[Treasury Management Strategy and Annual Investment Strategy 2022/23 report to Audit and Governance Committee; 22 February 2022](#)

Arun District Council

Treasury Management Annual Report 2022/23



1.0 INTRODUCTION

The Annual Treasury Management Report for 2022/23 summarises:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Detailed debt activity; and
- Detailed investment activity.

2.0 THE COUNCIL'S CAPITAL EXPENDITURE AND FINANCING 2022/23

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.

The actual capital expenditure forms one of the required prudential indicators. Table 2.1 shows the actual capital expenditure and how this was financed.

Table 2.1: Financing of Capital Expenditure

Capital Expenditure	Actual 2021/22 £'000	2022/23 Original £'000	2022/23 Actual £'000
Non HRA	4,341	3,939	7,411
HRA	6,940	8,351	6,436
HRA settlement	-	-	
Total	11,280	12,290	13,847
Financed by:			
Capital receipts	1,396	1,500	1,896
Capital grants	3,174	1,400	5,075
Capital reserves	2,467	5,336	3,180
Revenue	1,059	567	1,607
	8,096	8,803	11,758
Unfinanced capital expenditure	3,184	3,487	2,089

All "unfinanced capital expenditure" results in a financing or borrowing need that comes from either internal borrowing, grants, or other sums such as s106 sums.

3.0 THE COUNCIL'S OVERALL BORROWING NEED

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2022/23 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service

organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board (PWLb) or the money markets), or utilising temporary cash resources within the Council, which is known as 'internal borrowing'.

The CFR increases when capital expenditure is incurred but not financed and reduces when amounts are set aside for loan repayments.

Reducing the CFR – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the general fund borrowing need, (there is no statutory requirement to reduce the HRA CFR).

This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments.

In 2010/11 Arun DC had a subsidy liability of £4.8m. From April 2012, the Localism Act 2011 introduced a new financial regime for local authority housing. A new self-financing system replaced the previous subsidy system, giving Councils more freedom to borrow money and spend the income they receive from rents. To achieve this, Arun District Council made a substantial single payment of £71 million to the Government, financed with loans from the Public Works Loans Board (PWLb). The financial projections within the Business Plan demonstrated that the new financial regime would enable the Council to service these loans and generate surpluses which it should have been able to invest in its housing, services and new homes.

The Council currently has no external debt other than that taken out for the HRA Self-Financing (March 2012), currently £35.46m.

The Council does not have an overdraft facility as it became very expensive and rather than incurring costs for the facility, an approx. £200k balance is held in the account daily. This is currently earning interest at a rate of 1.70% but was between 0.01% and 0.65% in 2022-23. The £200k balance is required to cover any potential cashflow need and to avoid high overdraft charges.

The total CFR can also be reduced by:

- the application of additional capital financing resources, (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2022/23 MRP Policy, (as required by DLUHC Guidance), was approved as part of the Treasury Management Strategy Report for 2022/23 on 9 March 2022.

The Council's CFR for the year is shown in tables 3.1 and 3.2 and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is required against these schemes as a borrowing facility is included in the contract.

Table 3.1: General Fund Capital Financing Requirement (CFR)

CFR: General Fund	2021/22 Actual £,000	2022/23 Original £,000	2022/23 Actual £,000
Opening balance	(4,223)	(4,442)	(4,442)
Additions in year	0	0	*4,574
Add unfinanced capital expenditure	0	987	293
Less Voluntary Revenue Provision (VRP) & Minimum Revenue Provision (MRP)	(219)	(200)	(444)
CFR	(4,442)	(3,655)	(19)

* Extended cleansing contract with new vehicles

Table 3.2: Housing Revenue Account (HRA) CFR

CFR: HRA	2021/22 Actual £,000	2022/23 Original £,000	2022/23 Actual £,000
Opening balance	52,973	49,347	52,531
Add unfinanced capital expenditure	3,184	6,578	1,795
Less Voluntary Revenue Provision (VRP) & Minimum Revenue Provision (MRP)	(3,626)	(1,450)	(1,450)
CFR	52,531	54,475	52,876

Arun's only borrowing relates to the HRA Self-Financing settlement (currently £35.46m). Prior to this borrowing being undertaken, Arun had a negative CFR of £2.6m which has arisen over several years and was due more to changes in the capital accounting regulations rather than to any specific policy decision.

Borrowing activity is constrained by prudential indicators for gross borrowing and the CFR, and by the authorised limit.

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2022/23) plus the estimates of any additional capital financing requirement for the current (2023/24) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure.

The authorised limit - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this is set and approved by Full Council, the Council does not have the power to borrow above this level, unless it gets subsequent approval by Full Council to increase the limit. The authorised limit was not breached in 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.

Actual financing costs as a proportion of net revenue stream - this indicator identifies how much of the Council's revenue resources are used to service debt. (2022-23 was HRA 16.6% and Non-HRA -5.45%)

During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement (summary in appendix1). The limits are set and agreed by Full Council prior to each financial year and are deemed to be affordable.

Local authorities are required to have regard to all aspects of the Prudential Code that relate to affordability, sustainability, and prudence.

4.0 TREASURY POSITION AS AT 31 MARCH 2023

The Council's debt and investment position is organised by the treasury management service to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through Member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices.

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 shown in table 4.1.

Table 4.1: Impact of capital expenditure

Actual prudential and treasury indicators	31 March 2022 Actual £000	2022/23 Original £000	31 March 2023 Actual £000
Capital expenditure	11,280	12,290	13,847
Total Debt	(35,460)	(35,460)	(35,460)
Capital Financing Requirement at 31 st March:			
• Non-HRA	(4,442)	(3,655)	(19)
• HRA	52,531	54,475	52,876
• Total	48,089	50,820	52,857
Finance Lease Liability	(1,320)	(1,034)	(5,364)
Underlying Borrowing Requirement	46,769	49,786	47,493
(Over) / under borrowing	11,309	14,326	12,033
Total Investments	68,950	44,000	43,930
Net debt	33,490	8,540	8,470

The maturity structure of the debt portfolio is shown in table 4.2 (The upper and lower limits are also shown in appendix 1) and the investment portfolio in 4.3.

Table 4.2: Maturity structure of the debt portfolio

	31.3.22 actual	31.3.23 actual
Under 12 months	£0	£0m
12 months and within 24 months	£0m	£0m
24 months and within 5 years	£0m	£0m
5 years and within 10 years	£8.87m	£8.87m
10 years and within 20 years	£8.87m	£8.87m
20 years and within 30 years	£8.86m	£8.86m
30 years and within 40 years	£0m	£0m
40 years and within 50 years	£8.86m	£8.86m

Table 4.3: Investment portfolio

INVESTMENT PORTFOLIO	31.3.22 Actual £000	31.3.22 Actual %	31.3.23 Actual £000	31.3.23 Actual %
Treasury investments				
Banks	44,000	64%	32,740	75%
Building Societies - rated	0	0%	0	0%
Building Societies – unrated	4,000	6%	2,000	4%
Local authorities	0	0%	0	0%
Money Market Funds	13,950	20%	2,190	5%
Total managed in house	61,950	90%	36,930	84%
Property funds	5,000	7%	5,000	11%
Diversified funds	2,000	3%	2,000	5%
TOTAL TREASURY INVESTMENTS	68,950	100%	43,930	100%

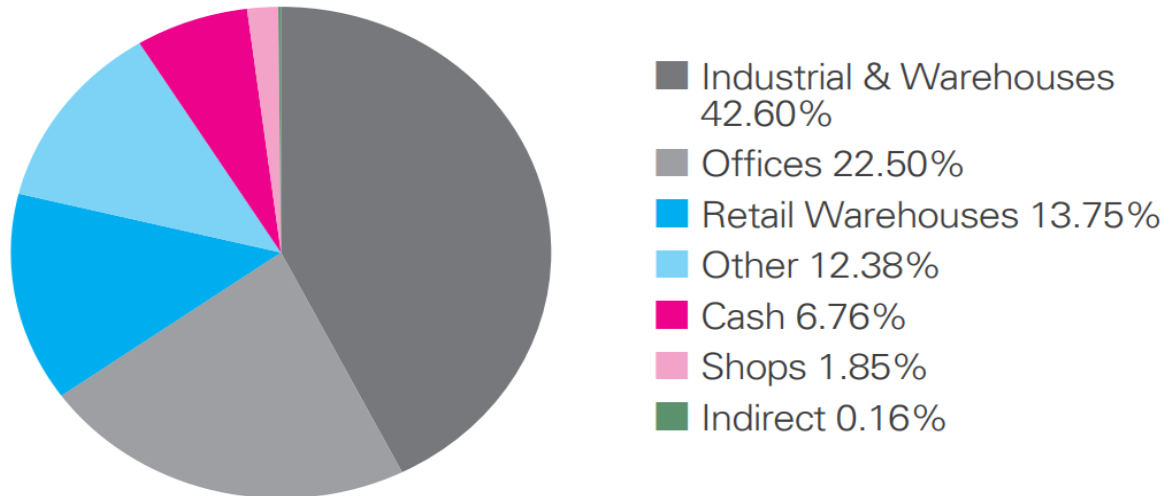
Table 4.4: The maturity structure of the investment portfolio was as follows:

	31.3.22 Actual £000	2022/23 Budget £000	31.3.23 Actual £000
Investments			
Longer than 1 year	7,000	7,000	8,000
Up to 1 year	61,950	37,000	35,930
Total	68,950	44,000	43,930

Other prudential and treasury indicators are to be found in the body of this report and appendix 1.

This CCLA property fund has a diverse property investment portfolio, none of which are in shopping centres due to the current climate (although a few standalone shops). The spread as at 31 March 2023 is as follows.

Asset allocation at 31 March 23



These fund managers are experts in property management and are always actively managing their portfolio.

Table 4.5: Council's treasury position at the beginning and the end of 2022/23

Investments / Debt	2021/22 Average Rate/ Return (actual)	31 st March 2022 Principal	2022/23 Average Rate / Return (budget)	2022/23 Average Rate / Return (Actual)	31 st March 2023 Principal
Total Investments	0.59%	£68.95m	0.84%	2.35%	£43.93m
Total Debt	3.40%	£35.46m	3.40%	3.40%	£35.46m

5.0 THE STRATEGY FOR 2022/23

5.1 Investment strategy and control of interest rate risk

Investment returns picked up throughout the course of 2022/23 as central banks, including the Bank of England, realised that inflationary pressures were not transitory, and that tighter monetary policy was called for.

Starting April at 0.75%, Bank Rate moved up in stepped increases of either 0.25% or 0.5%, reaching 4.25% by the end of the financial year, with the potential for a further one or two increases in 2023/24. These rate rises meant that the budgeted investment income was exceeded by over £1m.

The sea-change in investment rates meant we were faced with the challenge of pro-active investment of surplus cash for the first time in over a decade, and this emphasised the need for a detailed working knowledge of cashflow projections so that the appropriate balance between maintaining cash for liquidity purposes, and “laddering” deposits on a rolling basis to lock in the increase in investment rates as duration was extended, became an on-going feature of the investment landscape.

A ladder investment approach is based on allocating portions of our total investment and staggering maturity dates so that each portion of your portfolio matures at regular intervals. Each rung of the ladder represents a specific maturity date. This protects the council against interest rate changes.

Meantime, through the autumn, and then in March 2023, the Bank of England maintained various monetary policy easing measures as required to ensure specific markets, the banking system and the economy had appropriate levels of liquidity at times of stress.

5.2 Borrowing strategy and control of interest rate risk

During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council’s reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were initially low and minimising counterparty risk on placing investments also needed to be considered.

The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this was kept under review to avoid incurring higher borrowing costs in the future when this authority may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.

Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the CPI measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

Table 5.2.1 shows our advisors forecast at the time of writing the 2022/23 strategy and table 5.2.2 shows their forecast a year later.

Table 5.2.1

Our Treasury advisor forecasts at the time of approval of the treasury management strategy report for 2022/23 were as follows:

Link Group Interest Rate View 20.12.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.20	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.40	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.60	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.80	1.90	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.50	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30

Table 5.2.2

Their interest rate forecast changed periodically during 2022/23 and below shows the change in a year:

Link Group Interest Rate View 19.12.22													
	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	4.20	4.20	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	4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB	4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB	4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. Table 5.2.3 shows PWLB rates for 2022/23.

Table 5.2.3:HIGH/LOW/AVERAGE PWLB RATES FOR 2022/23

	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%	5.45%	5.88%	5.51%
Date	28/09/2022	28/09/2022	12/10/2022	12/10/2022	28/09/2022
Average	3.57%	3.62%	3.76%	4.07%	3.74%
Spread	3.16%	3.26%	3.09%	3.36%	3.26%

Regarding PWLB borrowing rates, the various margins attributed to their pricing are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps) - (reduction of 20bp)
- **PWLB HRA Rate** is gilt plus 60 basis points (G+60bps). This was introduced on 15 June 2023 – (reduction of 40bp)

There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate first rises to dampen inflationary pressures and a tight labour market, and is then cut as the economy slows, unemployment rises, and inflation (on the Consumer Price Index measure) moves closer to the Bank of England's 2% target.

Generally, short-dated gilt yields will reflect expected movements in Bank Rate, whilst medium to long-dated yields are driven primarily by the inflation outlook.

Change in strategy during the year – the strategy adopted in the original Treasury Management Strategy Report for 2022/23 approved by the Council on 9 March 2022 was subject to no revisions during the year.

A full list of the Council's approved counterparties is included in appendix 2.

6.0 **BORROWING OUTTURN FOR 2022/2023**

Maturity loans for £70.902m were taken out on the 28 March 2012 to fund the new HRA self-financing system. The borrowing remaining as at 31 March 2023 was £35.46 as shown in table 6.1.

Table 6.1:Borrowing position as at 31 March 2023

<u>Lender</u>	<u>Principal</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>
PWLB	£8.870m	Maturity	3.21%	28/3/2030
PWLB	£8.870m	Maturity	3.40%	28/3/2035
PWLB	£8.860m	Maturity	3.53%	28/3/2050
PWLB	£8.860m	Maturity	3.48%	28/3/2062
	£35.46m			

A maturity loan is a repayment loan which essentially means that you borrow at the start date, interest is paid on a semi-annual basis throughout the life of the loan and the principal is repaid at maturity. A maturity loan reduces exposure to risk of future rises in interest rates and the council has locked into low borrowing rates. The average rate of these loans at 31 March 2023 was 3.40%.

No new external borrowing was undertaken during the year and therefore the Council has not borrowed in advance of its need.

No rescheduling was carried out during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

7.0 INVESTMENT OUTTURN IN 2022/23

Investment Policy – the Council's investment policy is governed by DLUHC investment guidance, which has been implemented in the annual investment strategy approved by the Council on 9 March 2022. This policy sets out the approach for choosing investment counterparties and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

Resources – the Council's cash balances comprise, primarily, of revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources are shown in table 7.1.

Table 7.1: Core cash resources

Balance Sheet Resources (£m)	31 st March 2022 £m	31 st March 2023 £m
General Fund Balances	5.0	5.0
HRA Balances	6.8	5.4
Earmarked reserves	27.4	20.8
Capital grants unapplied	0.7	1.7
Usable capital receipts	2.0	1.7
Total	41.9	34.6

Investments held by the Council

The Council maintained an average balance of approximately £55m of internally managed funds, plus £5m CCLA property fund and £2m Diversified fund. These internally managed funds earned an average rate of return of 2.17% plus 4.07% for the property fund and 2.86% for the diversified fund giving an overall return of 2.35%.

This compares with a budget assumption of £44m investment balances earning an average rate of 0.84%.

Total investment income was £1,456k compared to a budget of £370k. This was largely due to the increases in interest rates which were not predicted at the time, and additional balances in the form of grants held throughout the year and either not paid out or delays in requests for the balances to be returned.

The Council has also subscribe to Link's Investment Benchmarking Club to review the investment performance and risk of the portfolios.

A full list of investments at the 31 March 23 is included in appendix 3 and below shows a comparison of Arun's investment performance against other Councils.



The Councils performance for the treasury investment portfolio is above the upper return boundary for the end of Q1 2023 (as it was for all of 2022/23).

This is as a result of the yields on investments under 1 month (MMF, Call accounts & Notice accounts) rising in line with increases in the Bank rate and investments made in 1-to-6-month durations (Fixed Deposit) pushing the portfolio's weighted average rate of return (WARoR) to 3.85% against the model portfolio's WARoR of 3.39% and exceeding the upper boundary WARoR of 3.60%.

8.0 IFRS 9 fair value of investments

Following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC] on IFRS 9, the Government has extended the mandatory statutory override for local authorities to reverse out all unrealised fair value movements resulting from pooled investment funds to 31st March 2025. Local authorities are required to disclose the net impact of the unrealised fair value movements in a separate unusable reserve throughout the duration of the override in order for the Government to keep the override under review and to maintain a form of transparency.

The valuation of investments previously valued under the available for sale category e.g., equity related to the “commercialism” agenda, property funds, equity funds and similar, will be changed to **Fair Value through the Profit and Loss (FVPL)**.

The Council had the following valuations at 31 March 2023 which would affect the Council taxpayer if the override was not in place:

- CCLA property fund - £4,767,294 (£5m invested)
- CCLA diversified fund - £1,892,639 (£2m invested)

This would have had an adverse impact of £340,000 on the Council's revenue budget.

9.0 Amendments to 2023/24 Strategy

This report includes additions to the counterparty lending list (appendix 2) in the way of Handelsbanken Plc and Natwest Markets Plc (NRFB). Each category has a limit which cannot be breached by individuals and will apply to a group of companies/institutions too. They both adhere to the minimum credit criteria in category 1 and 2 and have been added for diversification and to offer further options due to the withdrawal of Qatar National Bank and First Abu Dhabi Bank.

Current Ratings

Handelsbanken (Fitch AA, F1+)

Natwest Markets Plc (NRFB) (Fitch A+, F1)

1. PRUDENTIAL INDICATORS	2021/22	2022/23	2022/23
Extract from budget and rent setting report	Actual	Original	Actual
	£'000	£'000	£'000
Capital Expenditure			
Non – HRA	4,341	3,939	7,411
HRA	6,940	8,351	6,436
TOTAL	11,280	12,290	13,847
Ratio of financing costs to net revenue stream			
Non - HRA	(2.06)%	(1.88)%	*** (5.45)%
HRA	31.35%	*15.58%	*16.60%
Capital Financing Requirement as at 31 March			
Non – HRA	(4,442)	(3,655)	** (19)
HRA	52,531	54,475	52,876
TOTAL	48,089	50,820	52,857
Annual change in Cap. Financing Requirement			
Non – HRA	(219)	787	**4,423
HRA	(442)	5,128	345
TOTAL	(661)	5,915	4,768

* Reduced provision for HRA debt

** Due to Extended cleansing contract with new vehicles

*** Due to increase interest rates

2. TREASURY MANAGEMENT INDICATORS	2021/22	2022/23	2022/23
	Actual	Original	Actual
	£'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 365 days (£m)	18,000	24,000	24,000
-	-	-	-

*Debt for most of the year was £44.32m - £8.86m repaid on 28 March 2022

Maturity structure of fixed rate borrowing - upper & Lower limits	Actual at 31/03/23	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%

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

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

All Local Authorities

Australia & New Zealand banking Group Ltd

(ANZ - AUS) *New for 23-24 strategy*

Bank of Nova Scotia (CAN)

Development Bank of Singapore Ltd (DBS-SING)

Handelsbanken Plc (UK) *addition to 23-24 strategy*

National Australia Bank (AUS) *New for 23-24 strategy*

Oversea-Chinese Banking Corp Ltd (OCBC - SING)

JP Morgan Chase (USA)

United Overseas Bank Ltd (UOB - SING)

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

	<u>Long</u> <u>Term</u>	<u>Short</u> <u>Term</u>
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-UK)

Goldman Sachs International Bank (UK)

HSBC Bank plc (RFB & NRFB) (UK)

National Bank of Canada (CAN)

National Westminster Bank PLC (RFB) (UK)

Natwest Markets Plc (NRFB) (UK))

addition to 23-24 strategy

Santander (UK)

Standard Chartered Bank (UK)

The Royal Bank of Scotland PLC (RFB) (UK)

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

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

Nationwide Building Society (UK)

Close Brothers (UK)

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

Coventry Building Society (UK)

Leeds Building Society (UK)

Principality Building Society (UK)

Skipton Building Society (UK)

Yorkshire Building Society (UK)

Category 5 - Council's Bank

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

Lloyds Bank Plc (RFB) (Cat 2 for Term deposit limit)

Lloyds Bank Corporate Markets Plc (NRFB) (Cat 2 for Term deposit limit)

Collective Investment Schemes structured as Open Ended
Investment Companies (OEICs)

Fitch **NAV**

Category 6 - Money Market Funds (MMF's)

(CNAV, LVNAV, VNAV & Enhanced MMF's)

Limit of £4million for each institution

Aberdeen Standard (GBP)

AAA LVNAV
AAA LVNAV

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

Category 7 - Alternative Investments - No defined maturity date
Maximum investment £4 million

Ultra-Short dated Bond Funds

Category 8 - Debt Management Agency Deposit Facility (DMADF)
NO LIMIT (UK Govt)

Debt management Office (DMO)

Category 9 - Bonds issued by multilateral development banks - 5 Years
Maximum investment £4 million

AAA

Category 10 – Property Funds - No defined maturity date
Maximum investment £6 million

CCLA - Property Fund

Category 11 - Multi-Asset Funds - No defined maturity date
Maximum investment £6 million

CCLA - Diversified Income Fund

Below were removed as part of the 2023-24 strategy approved in March 2023:

- *First Abu Dhabi Bank (U.A.E)*
- *Qatar National Bank (Qatar)*

Below were added as part of the 2023-24 strategy and additions as part of this report:

- *Australia & New Zealand banking Group Ltd*
- *National Australia Bank (AUS)*
- *Handelsbanken Plc (UK)*
- *Natwest Markets Plc (NRFB) (UK)*

INVESTMENTS at 31 March 2023

Type of Investment/Deposit	Reference no.	Counterparty	Issue Date	Maturity Date	Nominal	Current Interest Rate
Fixed Term Deposit	853	Qatar National Bank	28/09/2022	05/04/2023	£4,000,000.00	4.685
Fixed Term Deposit	859	Development Bank of Singapore (DBS)	01/12/2022	05/04/2023	£1,000,000.00	3.750
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	857	Santander UK Plc	10/11/2022	14/04/2023	£1,000,000.00	3.640
Fixed Term Deposit	830	Standard Chartered Bank - Sustainable Deposits	21/04/2022	21/04/2023	£1,000,000.00	1.9500
Fixed Term Deposit	855	Yorkshire Building Society	20/10/2022	05/05/2023	£2,000,000.00	3.940
Fixed Term Deposit	856	NatWest Bank	04/11/2022	05/05/2023	£2,000,000.00	3.800
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
Fixed Term Deposit	858	NatWest Bank	23/11/2022	23/11/2023	£1,000,000.00	4.350
Fixed Term Deposit	860	Development Bank of Singapore (DBS)	15/12/2022	15/12/2023	£1,000,000.00	4.500
Fixed Term Deposit	861	Development Bank of Singapore (DBS)	22/12/2022	22/12/2023	£1,000,000.00	4.450
Fixed Term Deposit	863	Standard Chartered Bank - Sustainable Deposits	05/01/2023	05/01/2024	£1,000,000.00	4.530
Fixed Term Deposit	865	Goldman Sachs International	05/01/2023	06/01/2025	£1,000,000.00	4.645
Call Account	44447	Lloyds Bank			£3,740,000.00	4.160
Money Market Fund	100500	CCLA (Churches, Charities and LA's)			£2,190,000.00	4.1166
Property Fund	140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.26
Diversified Fund	140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*3.02
					£43,930,000.00	

* rates at 31-3-23

REPORT TO:	Audit & Governance Committee 25 July 2023
SUBJECT:	Annual Internal Audit Report & Opinion 2022-2023
LEAD OFFICER:	Antony Baden, Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Cllr Dr James Walsh
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION: An annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is a requirement of the Public Sector Internal Audit Standards (PSIAS)	
DIRECTORATE POLICY CONTEXT: The annual internal audit opinion is an important source of assurance that supports the Council's Annual Governance Statement	
FINANCIAL SUMMARY: n/a	

For general release

The main body of the report and Appendix 1 are for general release.

Not for publication

Appendix 2 of this report contains exempt information as defined in paragraph 7 of Schedule 12A to the Local Government Act 1972 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

1. PURPOSE OF REPORT

- 1.1. The purpose of this paper is to provide the Audit and Governance Committee with the annual audit opinion (2022-23) summarising internal audit's opinion on the Council's framework of governance, risk and control.

2. RECOMMENDATIONS

- 1.2. That the Committee approves the annual internal audit report and opinion for the year 2022-23.

2. EXECUTIVE SUMMARY

- 2.1. The Annual Internal Audit Report & Opinion provides a summary of audit work undertaken during the year (2022-23) to obtain all information and explanations considered necessary to provide sufficient assurance that the control environment is both reasonable and effective. Whilst no assurance can ever be absolute, on the basis of audit work completed, it is the Chief Internal Auditor's opinion that the Council's framework of governance, risk management and control is 'reasonable'.

3. DETAIL

- 3.1. The Accounts and Audit (England) Regulations 2015 state:

'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 Chief Internal Auditor must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

In accordance with the Standards the annual internal audit report and opinion should be approved by senior management and the Audit and Governance Committee.

4. CONSULTATION

- 4.1. N/A

5. OPTIONS / ALTERNATIVES CONSIDERED

- 5.1. The report is for information only.

6. COMMENTS BY THE GROUP HEAD OF FINANCE AND SECTION 151 OFFICER

- 6.1. There are no financial implications arising from this report.

7. RISK ASSESSMENT CONSIDERATIONS

- 7.1. In not producing an annual internal audit report and opinion the Council would not be operating in accordance with the Accounts & Audit Regulations 2015.

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

- 8.1. As explained earlier in the report, an annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control is a requirement of the Public Sector Internal Audit Standards (PSIAS).

9. HUMAN RESOURCES IMPACT

- 9.1. There are no impacts.

10. HEALTH & SAFETY IMPACT

- 10.1. There are no impacts.

11. PROPERTY & ESTATES IMPACT

- 11.1. 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. Appendix 2 of the report contains information that has been classed as exempt under the Local Government Act 1972. It will also be classed as exempt under Section 31 of the Freedom of Information Act 2000.

CONTACT OFFICER:

Name:	Stephen Pearce
Job Title:	Internal Audit Manager
Contact Number:	01903 737561

BACKGROUND DOCUMENTS: N/A

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

**ARUN DISTRICT COUNCIL
ANNUAL INTERNAL AUDIT REPORT & OPINION 2022-2023**

Prepared by: Neil Pitman, Head of Partnership

May 2023

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1. Role of Internal Audit

The Council is required by the Accounts and Audit (England) Regulations 2015, to

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

In fulfilling this requirement, the Council should have regard to the Public Sector Internal Audit Standards (PSIAS), as the internal audit standards set for local government. In addition, the Statement on the Role of the Head of Internal Audit in Public Service Organisations issued by CIPFA sets out best practice and should be used to assess arrangements to drive up audit quality and governance arrangements.

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 organisation’s 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. Internal Audit Approach

To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary. A full range of internal audit services is provided in forming the annual opinion.

As the Chief Internal Auditor, I review the approach to each audit, considering the following key points:

- Level of assurance required.
- Significance of the objectives under review to the organisations' success.
- Risks inherent in the achievement of objectives.
- Level of confidence required that controls are well designed and operating as intended.

All formal internal audit assignments will result in a published report. The primary purpose of the audit report is to provide an independent and objective opinion to the Council on the framework of internal control, risk management and governance in operation and to stimulate improvement.



The Southern Internal Audit Partnership (SIAP) maintain an agile approach to audit, seeking to maximise efficiencies and effectiveness in balancing the time and resource commitments of our clients, with the necessity to provide comprehensive, compliant and value adding assurance.

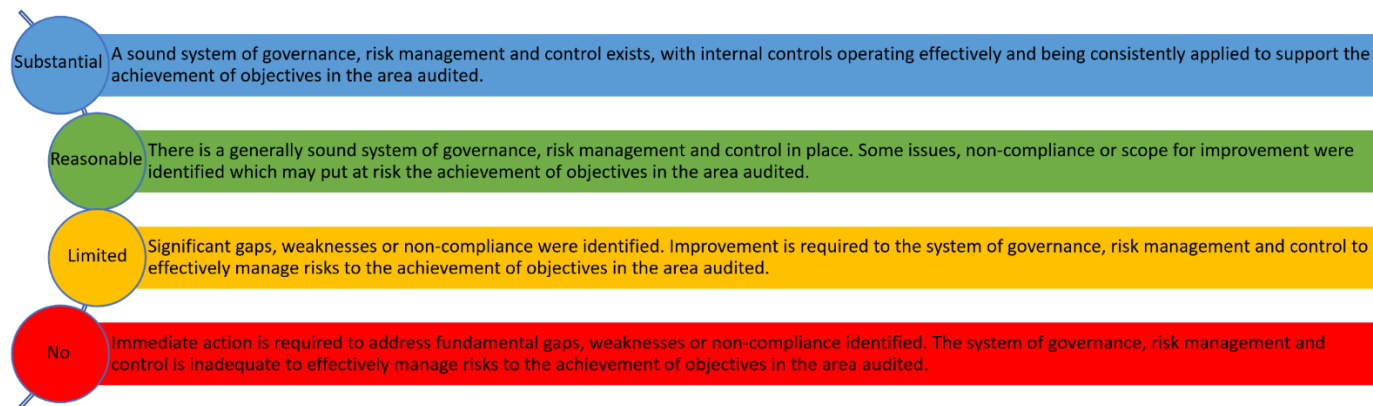
Working practices have been reviewed, modified and agreed with all partners following the impact and lessons learned from the COVID-19 pandemic and as a result we have sought to optimise the use of virtual technologies to communicate with key contacts and in completion of our fieldwork. However, the need for site visits to complete elements of testing continues to be assessed and agreed on a case-by-case basis.

3. Internal Audit Coverage

The annual internal audit plan was prepared to take account of the characteristics and relative risks of the Council's activities and to support the preparation of the Annual Governance Statement. Work has been planned and performed to obtain sufficient evidence to provide reasonable assurance that the internal control system is operating effectively.

The 2022-23 internal audit plan was considered by the Audit and Governance Committee in July 2022. It was informed by internal audit's own assessment of risk and materiality in addition to consultation with management to ensure it aligned to key risks facing the organisation. The plan has remained fluid throughout the year to maintain an effective focus and ensure that it continues to provide assurance, as required, over new or emerging challenges and risks that management need to consider, manage, and mitigate. Changes made to the plan were agreed with the Senior Management Team and reported in detail to the Audit and Governance Committee in the internal audit progress reports which were reviewed at each meeting.

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:



4. Internal Audit Opinion

As Chief Internal Auditor, I am responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform their annual governance statement. The annual opinion concludes on the overall adequacy and effectiveness of the organisations' framework of governance, risk management and control.

In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed. In assessing the level of assurance to be given, I have based my opinion on:

- written reports on all internal audit work completed during the course of the year (assurance & consultancy);
- results of any follow up exercises undertaken in respect of previous years' internal audit work;
- the results of work of other review bodies where appropriate;
- the extent of resources available to deliver the internal audit work;
- the quality and performance of the internal audit service and the extent of compliance with the Standards; and
- the proportion of the Council's audit need that has been covered within the period.

We enjoy an open and honest working relationship with the Council. Our planning discussions and risk-based approach to internal audit ensure that the internal audit plan includes areas of significance raised by management to ensure that ongoing organisational improvements can be achieved. I feel that the maturity of this relationship and the Council's effective use of internal audit has assisted in identifying and putting in place action to mitigate weaknesses impacting on organisational governance, risk and control over the 2022-23 financial year.

Annual Internal Audit Opinion 2022-23

I am satisfied that sufficient assurance work has been carried out to allow me to form a reasonable conclusion on the adequacy and effectiveness of the internal control environment.

In my opinion frameworks of governance, risk management and management control are **reasonable** and audit testing has demonstrated controls to be working in practice.

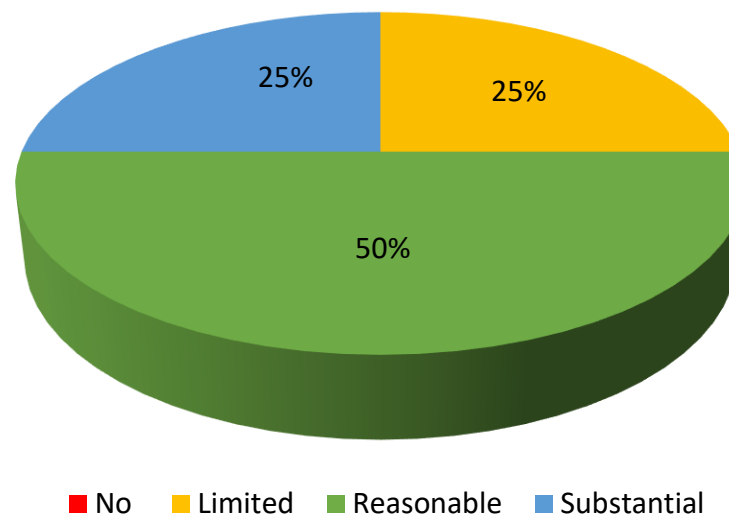
Where weaknesses have been identified through internal audit review, we have worked with management to agree appropriate corrective actions and a timescale for improvement.

5. Governance, Risk Management & Control – Overview & Key Observations

Assurance opinions for 2022-23 reviews

The outcomes from our reviews have been reported to the Audit and Governance Committee throughout the year and a summary of the assurance opinions is outlined below.

Assurance Opinions



Governance

Governance arrangements are considered during the planning and scoping of each review and in most cases, the scope of our work includes an overview of:

- the governance structure in place, including respective roles, responsibilities and reporting arrangements
- relevant policies and procedures to ensure that they are in line with requirements, regularly reviewed, approved and appropriately publicised and accessible to officers and staff.

In addition, during 2022-23 we undertook a review of Information Governance which concluded with a reasonable assurance opinion.

Based on the work completed during the year and observations through our attendance at a variety of management and governance meetings, in our opinion the governance frameworks in place across the Council are robust, fit for purpose and subject to regular review. There is also appropriate reporting to the Audit and Governance Committee to provide the opportunity for independent consideration and challenge including the Annual Governance Statement.

Risk management

Our 2022-23 scheduled review of risk management was deferred to 2023-24 as the Council was in the process of fundamentally reviewing and updating the Risk Management Framework. This was launched in November 2022, following presentation to the Audit and Governance Committee.

Along with annual formal reporting of the Corporate Risk Register to Audit and Governance Committee, the new Framework established that quarterly updates on key changes was to be presented to the Audit and Governance Committee. We note that no update was provided for the February 2023 Audit and Governance Committee, due to the timing of the appointment of the incoming Head of Corporate Finance and Section 151 Officer. An update is scheduled for the July 2023 Audit and Governance Committee.

Control

In general, internal audit work found there to be a sound control environment in place across the majority of review areas included in the 2022-23 plan that were working effectively to support the delivery of corporate objectives.

We generally found officers and staff to be well aware of the importance of effective control frameworks and compliance, and also open to our suggestion for improvements or enhancements where needed. Management actions agreed as a result of each review are monitored to completion to ensure that the identified risks and issues are addressed. The key areas of challenge identified or confirmed through our work are outlined below:

HR: Use of Agency Staff

The Agency Worker Guidance – Section 2 confirms “The Council will hire temporary agency workers from carefully selected agencies” However, there is no framework in place or formal contracts with agencies being used, with current commissioning based on historic use, reliability and the ability to provide specialist staff where required for service areas, such as Finance and Legal.

Additionally, quotes for services are not obtained prior to the hiring of agency workers. Spend analysis of agency workers (April – September 2022) was undertaken highlighting two agencies, with aggregated spend, exceeding the UK threshold which deems it to be captured by the Public Contract Regulations 2015 (PCR 2015) and three agencies with aggregated spend which could potentially exceed the threshold in the 2022/23 financial year.

Whilst Terms of Business are agreed with the agency for each agency workers assignment period, as there are no overall contractual arrangements in place with individual agencies which have been procured through a tender process or by obtaining quotations for required services there is a risk that the Council may not be achieving value for money by using the same agency on a repeat basis without comparing the charges of other agencies.

HR maintain management oversight of the agency workers hired through their Agency Worker Log. The Log records receipt of the key documentation required which should be forwarded to HR in a timely manner as part of the hiring arrangements. Audit testing found that these key documents were not always being obtained/maintained and whilst it was confirmed that HR do follow up the missing documentation with either the Line Manager or directly with the relevant agency, these follow up actions and dates are not recorded in the Log.

The Agency Worker guidance states that “The Council does not expect to hire agency workers for more than a period of 6 months.” Where a business need is identified to extend the assignment period approval of the appropriate Director is required and is submitted to HR. From an analysis of the assignment periods recorded in the Agency Worker Log it was found approximately 48%, had been in post or were expected to be in post for more than six months.

Inconsistency was found in respect of verifying that the invoices for the payment of agency workers was correct before passing to Finance for payment. Whilst a copy of the submitted timesheet is attached to the invoice it was identified that it is not always the relevant Line Manager that sees the invoice prior to being passed to Finance for payment. Therefore, an incorrect invoice could be paid providing it matches to a Purchase order.

Discussions during the audit confirmed that there is no management information produced for Senior Management in respect of agency worker use to enable oversight of the total number and overall cost or analysis of length of employment and use by departments.

Procurement

From our sample of eight procurements undertaken in 2022/23 we identified that in one case a waiver should have been sought, however, had not been obtained and for seven the business case had not been formally agreed and authorised.

Under the existing Procurement Policy departments are permitted to raise recurring purchase orders to suppliers. However, there is no mechanism established to review the aggregation of total spend with a supplier on a regular basis to determine if a framework or contract should be considered, which may offer better value and also ensure that the Council complies with Contract Standing Order requirements and UK Procurement Rules.

Homelessness

Customers that fall into arrears with their Emergency Accommodation (EA) service charge should be notified as soon as possible to ensure they do not fall into difficulties.

It was confirmed during testing by the Housing Options Manager, that no arrears chasing was undertaken in 2022/23 and this continued into 2023/24. It was explained that this was due to lack of resources within the team to be able to administer this process which sits outside of the current housing system.

During discussions with the Housing Options Manager, it was explained that there is no monitoring undertaken to ensure that all key correspondence with clients and evidence of appropriate authorisation is uploaded into the HOPE system for each case.

For one of ten cases sampled, there was no evidence that the EA Letter had been signed by the client to confirm their acceptance of the placement, no confirmation of the clients consent to the Council to share their personal data with other authorities or that the Housing Options Officer had been sent the Emergency Placement Letter once the placement was agreed with the client.

For the same sample we looked to ensure that the requests for EA had been approved by the Housing Options Manager or Housing Options Team Leader. Whilst all ten had been approved, for two out of ten, the approval had not been added into HOPE as per procedure.

EA decisions should be made, and the client informed within 56 days of the client contacting the Council. During testing it was confirmed that a monthly report is run from HOPE which shows what cases are open to the team and where decisions have not yet been made. The Housing Option Team Leader reviews any that are over 56 days and liaises with the Housing Options Officer responsible for the case to find out why a decision has not been made and what action needs to be taken. However, these actions are not documented and therefore there is no clear audit trail of any actions taken / needed, and by whom.

New staff undertake four weeks of shadow training prior to commencing their own housing assessments, however we were unable to gather any evidence of this training as no records are kept confirming all staff have received this.

Business Continuity and Emergency Planning

The Corporate Business Continuity Plan was last updated in November 2022 and the scope states the strategy applies to all parts of the organisation. The plan includes incident management, core services, threats, recovery strategies and contact details. Audit testing identified that the plan does not include any guidance or procedures detailing the format and contents of plans or reference to the templates, where plans should be stored and how often plans should be reviewed and tested. The Corporate Business Continuity Plan has not been formally approved by CMT.

The Corporate Plan includes high level responsibilities with regards to incidents for management, operational recovery teams, finance, elected members and all staff and general business continuity responsibilities are outlined for management and the Emergency Planning Officer. However, operational responsibilities for lower level business continuity plans are not set out.

The Corporate Business Continuity Plan details the high level responsibilities for the Business Recovery Management Team (BRMT) and includes membership of the team and their role and area of responsibility. There was no evidence of detailed responsibilities for individual roles on the BRMT or meeting frequency and there was no evidence of a Terms of Reference for the group. Through discussions we understand that the BRMT only meet if there is an incident and therefore they are not carrying out their role and responsibilities for the development of BCP strategies and the monitoring of implementation across the Council and reporting to CMT.

Although an external hard drive has been recently established for the storage of all business continuity plans, audit testing confirmed that not all plans were held on this drive. Additionally, audit testing of six plans identified that one was overdue for review, none had been approved and for one the accountable person had not been recorded for 12 of the 15 key actions listed on the plan.

There is a standard template for Business Impact Assessments (BIA's) which has sections to detail functions and critical activities, recovery times, interdependencies, resource requirements and the consequences of failure. A sample of six departmental BIA's were reviewed to ensure they were up to date, complete and had been approved. Testing found that four of the BIA's were overdue for review, the interdependency section had not been completed for one BIA and there was no evidence that two BIA's had been approved.

A desk top exercise to test the corporate business continuity plan was undertaken by Zurich in 2019, however the draft report included a number of observations that do not appear to have been actioned. There is no strategy in place for the testing of business continuity plans and through discussions it was established there has been no testing of the business continuity plans since 2019.

The Emergency Plan details individual roles and includes the preparatory role and the response role for each position. The preparatory role includes responsibilities such as training, maintain a working knowledge of the plan, understand duties, ensure contact details are up to date and some roles have wider preparatory responsibilities.

There was no evidence that many of these roles have been assigned to individuals and therefore staff with no training or knowledge of the Emergency Plan may be required to respond in an emergency. The training spreadsheet details the training provided to individual members of staff and what role/s they have been assigned however some of the roles in the training spreadsheet had different titles to those in the plan and some roles in the plan were not included in the training spreadsheet.

Management actions

Where our work identified risks that we considered fell outside the parameters acceptable to the Council, we agreed appropriate corrective actions and a timescale for improvement with the responsible managers. Progress is reported to the Audit and Governance Committee throughout the year through the quarterly internal audit progress reports.

6. Anti-fraud and Anti-corruption

The Council is committed to the highest possible standards of openness, probity and accountability and recognises that the electorate need to have confidence in those that are responsible for the delivery of services. A fraudulent or corrupt act can impact on public confidence in the Council and damage both its reputation and image.

The Council maintains a suite of strategies and policies to support the management of the prevention, detection and investigation of fraud and corruption (Anti-Fraud & Corruption Strategy; Whistleblowing Policy and Anti Bribery Policy).

The Southern Internal Audit Partnership have been commissioned to undertake two irregularity investigations during the year both relating to procurement activity within the Housing Department. These reviews remain ongoing and will be reported to management once completed.

The Southern Internal Audit Partnership have not been notified of any other reported fraud or irregularities within the Council during the year.

7. Quality Assurance and Improvement

The Standards require the Head of the Southern Internal Audit Partnership to develop and maintain a Quality Assurance and Improvement Programme (QAIP) to enable the internal audit service to be assessed against the Standards and the Local Government Application Note (LGAN) for conformance.

The QAIP must include provision for both internal and external assessments: internal assessments are both on-going and periodical and external assessment must be undertaken at least once every five years. In addition to evaluating compliance with the Standards, the QAIP also assesses the efficiency and effectiveness of the internal audit activity, identifying areas for improvement.

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

In considering all sources of evidence the external assessment team 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.'

8. Disclosure of Non-Conformance

In accordance with Public Sector Internal Audit Standard 1312 [External Assessments], I can confirm through endorsement from the Institute of Internal Auditors that:

'the Southern Internal Audit Partnership conforms to the Definition of Internal Auditing; the Code of Ethics; and the Standards'.

There are no disclosures of Non-Conformance to report.

9. Quality Control

Our aim is to provide a service that remains responsive to the needs of the Council and maintains consistently high standards. In complementing the QAIP this was achieved in 2022-23 through the following internal processes:

- On-going liaison with management to ascertain the risk management, control and governance arrangements, key to corporate success.
- On-going development of a constructive working relationship with the External Auditors to maintain a cooperative assurance approach.
- A tailored audit approach using a defined methodology and assignment control documentation.
- Review and quality control of all internal audit work by professional qualified senior staff members.

- A self assessment against the Public Sector Internal Audit Standards.

10. Internal Audit Performance

The following performance indicators are maintained to monitor effective service delivery:

Performance Indicator	Target	Actual
Percentage of internal audit plan delivered (to draft report)	95%	100%
Positive customer survey response		
● Arun District Council	90%	100%
● SIAP – all Partners	90%	99%
Public Sector Internal Audit Standards	Compliant	Compliant

Customer satisfaction is an assessment of responses to questionnaires issued to a wide range of stakeholders including members, senior officers and key contacts involved in the audit process (survey date April 2023).

11. Acknowledgement

I would like to take this opportunity to thank all those staff throughout the Council with whom we have made contact in the year. Our relationship has been positive, and management were responsive to the comments we made both informally and through our formal reporting.

Neil Pitman
Head of Southern Internal Audit Partnership

May 2023

Annex 1

Summary of Audit Reviews Completed 2022-23

Substantial 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.

Review area	Summary
Treasury Management	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Roles and responsibilities for treasury management arrangements are clear and formalised through effective strategies, policies, and procedures. • There is effective communication between Arun District Council and Adur and Worthing Council. • Investment and borrowing decisions are documented and approved, and related transactions are recorded, monitored, and accounted for promptly and correctly. • Management information for monitoring treasury management is reported to senior management and members. <p>A robust control framework was found to be operating and no issues were identified.</p>
Council Tax	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Appropriate policies and procedures are established and roles and responsibilities are defined. • Property records are accurate and in line with Valuation Office records. • Council Tax bills are accurately calculated and issued promptly, including when change of ownership is notified. • Discounts, exemptions and refunds are accurate, authorised and applied correctly. • Collection is regularly monitored to ensure that payments due are being received. • Debt collection procedures are clearly defined and followed to ensure prompt recovery of overdue payments. • Write offs are only authorised when it is demonstrated that no further recovery action on individual debts is possible. <p>A robust control framework was found to be operating and no issues were identified.</p>

Decision Making	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • The Council's management and Member body structure is appropriate to ensure good governance and understanding of the decision making process and is underpinned by key supporting policies. • The structure and operation of the Member body operates in line with guidance. • Management information for Members is timely, complete and accurate to allow members to make decisions. • There is effective communication between managers, staff and Members to promote awareness of the Council's strategic aims and objectives. • Standards of behaviour, including the declaration of interests, for Members, Senior Officers and Managers, are established and reviewed regularly to protect the Council's reputation. <p>A robust control framework was found to be operating and no issues were identified.</p>
Economic Regeneration	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • An effective governance structure (including clear roles and responsibilities) is in place to direct and control programme activities. • Projects are appropriately managed in line with governance arrangements to ensure service requirements are met. • Appropriate budget and programme monitoring is in place to ensure that individual projects perform as planned, or variances are identified at an early stage so that effective corrective action or decisions can be made. • Reporting arrangements to ensure effective monitoring, approval and management oversight of the project's progression are in place. <p>A robust control framework was found to be operating and no issues were identified.</p>

Reasonable

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.

Review area	Summary
Health and Safety (Corporate)	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Governance arrangements are in place for health & safety and management and operational responsibilities are clearly defined and supported by documented policies and procedures. • Health and safety tasks are managed and monitored in line with the Council's Health and Safety policies and procedures. • There is regular reporting to senior management and Members on health & safety to ensure awareness of issues identified and actions required. • Health and Safety training is provided to all staff. <p>Overall, a sound framework of control was found to be in place with some observations for improvement made relating to ensuring legacy policies and procedures are removed from the active file folder, Safety Management Programme is updated to reflect all topics covered and that the task completion form is updated to capture the service area completing the task and that this is reviewed to ensure the tasks have been completed to an appropriate standard.</p>
Information Governance	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Management and operational roles and responsibilities have been defined, approved, and are supported by policies and procedures and readily available to all employees. • Freedom of Information (FOI) requests and Environmental Impact Regulations (EIR) requests are effectively managed to ensure statutory requirements are met. • Subject Access Requests (SAR) are effectively managed to ensure statutory requirements are met. • Data is held and managed in line with GDPR principles. <p>Overall, a sound framework of control was found to be in place with some observations for improvement made relating to introducing an information asset register, re-introduction of data protection refresher training for Members and staff and reviewing processes to ensure that data subject access requests are responded to within required timescales.</p>
Cyber Security	See Appendix 2 – Exempt Item

IT Asset Management	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Assets are held securely under IT's responsibility during the lifecycle of the device. • Effective governance arrangements are in place and management information is available to manage and maintain IT Assets. • The IT asset database is complete and accurate with access to remove assets appropriately restricted. • An effective disposal policy is in place for the secure disposal of IT assets and removal of data. <p>Overall, a sound framework of control was found to be in place with some observations for improvement made relating to ensuring documented and up to date IT Asset Management Policies and Procedures are in place, IT assets are collected timely from leavers, data cleansing can be evidenced prior to disposal of IT assets, issued IT hardware has an assigned user, location and asset tag and use of shared access badges for access to storage locations should be reviewed.</p>
Climate Strategy	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • An approved Climate Change Strategy sets out the direction of the Council with a clear set of priority outcomes and actions to support its delivery. • Roles and responsibilities have been clearly assigned to oversee and deliver actions within the Climate Change Strategy and Climate Action and Biodiversity Work Plan. • Actions required are agreed, documented and sufficiently resourced and funded. • Risks and issues to the delivery of the Climate Change Strategy and Climate Action and Biodiversity Work Plan have been identified, are regularly monitored and appropriate actions taken. • There are clear and appropriate reporting and monitoring arrangements to ensure adequate oversight and effective decision making. <p>Overall, a sound framework of control was found to be in place with some observations for improvement made relating to introducing risk monitoring at an individual project level and where appropriate set out target dates for completion of projects.</p>
Parking and Enforcement	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Management and operational roles and responsibilities are defined and supported by documented policies, procedures, and agreements.

	<ul style="list-style-type: none"> • Parking fees are regularly reviewed and approved, and the Council's website is updated with any changes. • Parking income is collected, banked, and accurately reconciled. • PCNs are issued in line with legislation and supported by adequate documentary evidence. • Recovery of PCN debts is consistent and effective, and cancellations of PCNs are made in accordance with the Council's policies and procedures. • Management information is sufficient to enable effective monitoring of service performance. <p>Overall, a sound framework of control was found to be in place with some observations for improvement made relating to ensuring up to date and signed SLA's / contracts are in place with relevant parties, checking invoices received are in line with expected monthly charges, accurate and timely reconciliations of both cash and cashless income are undertaken and that published parking fees are consistent across all forms of publication.</p>
Accounts Receivable and Debt Management	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Management and operational responsibilities are clearly assigned and supported by policies and procedures. • Accurate and valid invoices are raised and authorised. • Debtor income is banked and matched to invoices promptly and accurately reflected in the debtors account and the general ledger. • Debts are recovered and there is appropriate authorisation of write offs, refunds, and credit notes. • Management information is complete, accurate and reported at an appropriate level. <p>Overall, a sound framework of control was found to be in place with some observations for improvement made relating to ensuring operational policies and procedures are up to date and ensuring consistency with requirements set out in corporate policy documents.</p>
Cleansing Services (Combined Waste Contract)	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Appropriate governance arrangements are in place to ensure the effective delivery of the contract.

- The relationship with the Contractor is suitably managed, allowing contract risks to be appropriately managed.
- There is sound financial management of the contract.
- There is effective performance management of the contract, to ensure it is fully delivered as expected.

Overall, a sound framework of control was found to be in place with some observations for improvement made relating to considering whether annual insurance and periodic credit checks should be undertaken on the Contractor and ensuring that the Council's random inspection checks are documented.

Limited

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.

Review area	Summary
Procurement	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Effective management arrangements, including corporate roles and requirements, statutory regulations and contract arrangements with Hampshire County Council, for procurement activities are in place and appropriately communicated. • Adequate planning and stakeholder engagement is in place to identify the business need, specification, and to strengthen the likelihood of a successful award outcome. • The progress of the procurement process is appropriately monitored and reported to ensure the client's needs are met and issues resolved. <p>Areas where the framework of governance, risk management and control could be improved were identified relating to publishing data on procurement in line with Transparency Agenda requirements and ensuring adherence to the Council's procurement rules.</p>
Use of Agency Workers	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Roles and responsibilities for use of agency workers are clearly defined and supported by up to date policies and procedures.

	<ul style="list-style-type: none"> • Appropriate due diligence is carried out on agencies used to ensure adequate pre-employment checks are carried out and that the financial costs provide value for money with arrangements agreed and documented. • The use and authorisation of agency workers is appropriately authorised only after other options have been explored with their on-going performance monitored for suitability. • Payments for agency workers are paid at the correct rate and reflect the hours worked with costs reviewed and approved prior to payment. • Agency worker usage and financial costs are monitored and reported to management in a timely manner to ensure usage is controlled. <p>Areas where the framework of governance, risk management and control could be improved were identified relating to processes in place for the procurement of agency workers, obtaining relevant pre-appointment documentation, length of appointment of individual workers and the process for extending these, payment verification and the availability of management information to review the use and costs of agency workers.</p>
Homelessness	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Management and operational roles and responsibilities are clearly defined and supported by documented policies and procedures. • Effective and efficient processes are in place to help prevent homelessness and triage new cases. • The delivery of identified support is timely, proportionate and in line with statutory requirements. • Staff receive sufficient training to enable them to carry out assessments and performance is monitored. • Adequate and timely management information is generated to provide a sound basis for control and decision making. <p>Areas where the framework of governance, risk management and control could be improved were identified relating to debt recovery processes, completeness of documentation held on file, monitoring of progress of applications to ensure adherence to the statutory timeframe and confirmation of new staff training completed.</p>

Business Continuity and Emergency Planning	<p>The scope of this review focussed on those controls in place designed to mitigate risk in achieving the following key objectives:</p> <ul style="list-style-type: none"> • Management and operational roles and responsibilities for Business Continuity and Emergency Planning are clearly defined and supported by policies and procedures. • Up to date and approved Business Continuity plans are in place which cover key services and systems. • Up-to-date and approved Emergency Plans are in place and meet statutory requirements. • Business Continuity and Emergency plans are regularly tested, and lessons learned identified. <p>Areas where the framework of governance, risk management and control could be improved were identified relating to the completeness and approval of the Corporate Business Continuity plan, departmental plans were also found to be incomplete, not always approved or tested with not all plans and Business Impact Assessments completed and stored on the external storage drive.</p>
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The original internal audit plan agreed by the Audit and Governance Committee in July 2022 included the following system reviews:

- Transformation
- Contract Management
- Partnership Working
- Savings Realisation
- Leisure Facilities
- Affordable Housing
- Repairs and Maintenance (statutory H&S checks)
- Replacement Housing IT System
- Corporate Vision/Plan
- Risk Management
- Financial Resilience.

During the year, Officers within the Council requested that these reviews be deferred due to organisational capacity and/or maturity of the changes in business processes within the individual area.

Each of these areas has been reassessed as part of the audit plan process for 2023-24 and coverage re-aligned accordingly.

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Arun District Council

REPORT TO:	Audit and Governance Committee 25 July 2023
SUBJECT:	Corporate Risk Register Update
LEAD OFFICER:	Antony Baden, Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Cllr Dr James Walsh
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 revised 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>	

For general release

The main body of the report and Appendix 1-4 are for general release.

Not for publication

Appendix 5 of this report contains exempt information as defined in paragraph 7 of Schedule 12A to the Local Government Act 1972 (information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime).

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to highlight the updates to the Corporate Risk Register since it was last reported to the Audit and Governance Committee in November 2022.

2. RECOMMENDATIONS

- 2.1. Members of the Audit and Governance Committee are asked to consider and note the revised Corporate Risk Register.

3. EXECUTIVE SUMMARY

- 3.1. The Corporate Risk Register is reviewed and updated in line with the requirements of the Council's Risk Management Framework.
- 3.2. Quarterly updates reflecting revisions are reported to the Audit and Governance Committee, this report highlights the changes since the last update.
- 3.3. It is proposed that the Committee considers and notes the revised Corporate Risk Register.

4. DETAIL

- 4.1. A report recommending the adoption of a new Risk Management Framework was presented to the Audit and Governance Committee on 29 November 2022.
- 4.2. At this time, the Corporate Management Team trialled the framework to review the strategic risks facing the Council. The outcome of this process was a new Corporate Risk Register.
- 4.3. 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.
- 4.4. The Council's Risk Matrix (an extract from the Risk Management Framework) used to score each risk is included as Appendix 1 to this report.
- 4.5. Risks are 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.
- 4.6. Since November 2022, the Corporate Management Team have reviewed the Corporate Risk Register in line with the review and reporting requirements of the Risk Management Framework included as Appendix 2 to this report.
- 4.7. A Corporate Risk Register Summary of the corporate risks facing the Council is attached as Appendix 3 to this report. The Corporate Risk Register Summary records the changes in scores and any additions or removals to the Corporate Risk Register.
- 4.8. The full Corporate Risk register is attached as Appendix 4 to this report.
- 4.9. Members of the Audit and Governance Committee are asked to consider and note the updates resulting in the revised Corporate Risk Register.

5. CONSULTATION

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

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. Not applicable.

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

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

8. RISK ASSESSMENT CONSIDERATIONS

- 8.1. The Corporate Risk Register aids in the effective management of strategic risks faced by the Council. (Appendix 3 & 4)

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

- 9.1. None

10.HUMAN RESOURCES IMPACT

- 10.1. There are no direct human resource implications. However, the Corporate Risk Register will assist in the effective management of related risks.

11.HEALTH & SAFETY IMPACT

- 11.1. There are no direct implications. However, the Corporate Risk Register will assist in the effective management of related risks.

12.PROPERTY & ESTATES IMPACT

- 12.1. There are no direct implications. However, the Corporate Risk Register will assist in the effective management of related risks.

13.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

- 13.1. There are no direct implications. However, the Corporate Risk Register will assist in the effective management of related risks.

14.CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

14.1. There are no direct implications. However, the Corporate Risk Register will assist in the effective management of related risks.

15.CRIME AND DISORDER REDUCTION IMPACT

15.1. None.

16.HUMAN RIGHTS IMPACT

16.1. None.

17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

17.1. There are no direct implications. However, the Corporate Risk Register will assist in the effective management of related risks.

CONTACT OFFICER:

Name: Vicky Ashmore

Job Title: Finance and Risk Manager

Contact Number: X37606

BACKGROUND DOCUMENTS:

Audit and Governance Committee report - 29 November 2022

[Arun District Council](#)

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APPENDIX 1: 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.

APPENDIX 2: REVIEWING AND REPORTING FRAMEWORK

Net Risk Level and Score	Frequency of Reviews (applies to <u>all</u> risk registers)
High 12-16	<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>
Medium 4-9	<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>
Low 1-3	<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>

APPENDIX 3: 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)	Last Review Date	Change in Net Risk Level	Risk Owner
CRR 1-B	Housing/ Finance	Balance of Housing Revenue Account	16 (4x4)	12 (3x4)	CMT Performance Board: 20 June 2023	➔	Tony Baden/ Moh Hussein
CRR 2	All Directorates	Organisational capacity to deliver	16 (4x4)	12 (4x3)		➔	Karl Roberts/ Philippa Dart
CRR 7	All Directorates	Climate Change	16 (4x4)	16 (4x4)		➔	Philippa Dart/ Joe Russell-Wells
CRR 10	Growth	Planning Policy & Conservation- Development Plan	12 (3X4)	12 (3X4)		➔	Karl Roberts/ Neil Crowther
CRR 11	Place	Major Projects	12 (3x4)	12 (3x4)		➔	Karl Roberts/ Philippa Dart

CRR 1-A	All Directorates	Financial Resilience	12 (3x4)	8 (2x4)	CMT Performance Board: 20 June 2023	➔	Tony Baden
CRR 3	All Directorates	Change Management and Transformation	16 (4x4)	9 (3x3)		➔	Karl Roberts/ Philippa Dart
CRR 4	All Directorates	ICT- Major successful cyber-attack	16 (4x4)	8 (2x4)		↓	Jackie Follis
		ICT- Physical or technical failure	12 (3x4)	6 (2x3)		➔	Jackie Follis
		ICT- Loss of staff	REMOVED	REMOVED		REMOVED	Jackie Follis
		ICT- Permission to access government systems.	12 (4x3)	6 (2x3)		Escalated Operational Risk on 09/05/2023	Jackie Follis
CRR 5	All Directorates	Corporate Business Continuity	12 (3x4)	9 (3x3)		➔	Philippa Dart/ Joe Russell-Wells
CRR 6	All Directorates	Information Governance and Data Protection	9 (3x3)	4 (2x2)		➔	Daniel Bainbridge
CRR 8	All Directorates	Corporate Health and Safety	12 (3x4)	8 (2x4)		➔	Nat Slade
CRR 9	All Directorates	Equality and Diversity	12 (3x4)	8 (2x4)		➔	Jackie Follis
CRR 12	Homelessness	Increased Homelessness	16 (4x4)	9 (3x3)		➔	Moh Hussein
CRR 13	Housing	Housing Management System Implementation	12 (3x4)	4 (2x2)		➔	Moh Hussein
CRR 14	Housing Repairs	Compliance Failings	4 (1x4)	4 (1x4)		↓	Moh Hussein
CRR 15	Housing	Ineffective Complaints Management	9 (3x3)	6 (2x3)		➔	Moh Hussein
CRR 16	All Directorates	Chief Executive resignation/ vacancy	16 (4x4)	8 (2x4)		New Risk as at 18/04/2023	Karl Roberts/ Philippa Dart
CRR 17 (ORR 54)	Growth	Disabled Facilities Grant	4 (1X4)	4 (1X4)		Escalated Operational Risk on 18/04/2023	Nat Slade

APPENDIX 4: 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
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 years 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>	Tony Baden/ 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)	<p>Officers are currently working with a consultant from CIPFA to review the Council's HRA accounting policies in respect of depreciation, capital accounting and staff recharges. Good progress has been made and proposals are currently being reviewed prior to implementation to ascertain if they comply with the main CIPFA accounting code of practice.</p> <p>Budget monitoring.</p> <p>Review of Capitalisation Policy.</p> <p>Review of Borrowing Strategy.</p> <p>Contract Management.</p> <p>Review of Repairs Contract.</p> <p>Close adherence to rent arrears policy and procedures.</p>	12 (3x4)	<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>Regular case reviews with specialist Housing Officers.</p>

	Ensure officers understand the impact of timely intervention.		
	Staff training.		
	Debt advice- dedicated officer.		
	Good communication with tenants.		
	Specialist IT software.		

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 2	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>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>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> <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>	Karl Roberts/ 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>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 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>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>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> <p>Continued reduction of air quality and resident health through emissions associated with petrol/diesel fuelled transport.</p>	Philippa Dart/ Joe Russell- Wells

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>Climate Change & Sustainability Manager appointed.</p> <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>Continued annual monitoring of Scope 1, 2 and 3 emissions in line with greenhouse gas protocols and guidance.</p> <p>Annual update and review of the Council's Climate Action and Biodiversity Work Plan.</p> <p>Bids have been returned to undertake the procurement 'deep dive' and emission analysis for the 22/23 financial year. This works will include extensive analysis and review of procurement emissions (Arun's single largest emitter) and will help determine next steps and produce a list of actions which will be used to help increase reductions in this area.</p> <p>Development of climate related training for officers (mandatory) and members. This will include an introduction to climate change/ sustainability, emissions and what the Council aims to do and is doing to reach the 2030 carbon neutral target.</p> <p>Provision of Carbon Literacy training at senior level (including director and group heads, along with managers) to help start behavioural change within the Council. Further trainings to be carried out through the 23/24 year to include other officers to help imbed climate change/sustainability thinking throughout all levels of the Council.</p> <p>Continued work to undertake and complete energy audits of key buildings to provide next steps on how to improve efficiency and drive down emission production.</p> <p>Continued connection with other D&Bs within West Sussex (and externally) to share ideas and support climate change related work.</p>	16 (4x4)	<p>Appointment of Climate Change and Sustainability officer to provide further support to the Council in reducing emissions.</p> <p>Support to be provided to suppliers and contractors, as well as local SMEs, businesses and companies around emission reduction and procurement changes. This will be in the form of support via information sheets and guidance documentation, as well as sign posting to external help and support.</p> <p>Further training to staff of carbon literacy and the role that can be played in reducing carbon use by the council and others. Training opportunities for members to be reviewed and provided where possible.</p> <p>Increased internal and external communication on climate change factors.</p> <p>Procurement strategy prioritising low carbon purchasing as well as undertaking a 'deep dive' into procurement emissions to determine next steps and produce a list of actions which will be used to help increase reductions in this area.</p> <p>Additional funding (£100k) has been provided for the 23-24 financial year. This will be used to further increase action to reduce emissions and fight climate change. Exact details are not yet determined but this could include supporting building upgrades in line with building audit results, providing support (internal and external) for sustainable projects, providing additional training within the Council, and undertaking further consultancy work.</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, Sussex Nature Partnership around biodiversity and BNG across Sussex).</p> <p>Appointment of Climate Change and Sustainability officer to provide further support to the Council in reducing emissions. Work is underway in developing engagement/ comms across the district, to include Arun's suppliers, local SMEs/ businesses and residents.</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 and the Sussex Kelp Project</p>	
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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 policies 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 was some preparatory work prior to the decision (June 2023 Planning Policy Committee) on whether to resume work on the Local Plan. • 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. Awaiting decision of Full Council in July 23.</p> <p>Develop/monitor Recruitment Strategy and call off contract support for output deliverables. Proposed outsourcing of preparation of Local Plan</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 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.</p> <p>Inconsistent decision making leading to projects being started and then abandoned.</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>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>	Karl Roberts/ 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>Briefings for members.</p> <p>Temporary employment of Head of Regeneration.</p> <p>Bidding for external funds (Levelling Up Fund and Funding from Coast To capital LEP.</p> <p>Use of external support – Project Officers, Mace and Faithfull & Gould.</p> <p>Communications – Press Releases</p> <p>Engagement with Partners e.g.: University, Bognor Regis Regeneration Board, Town & Parish Councils.</p>	12 (3x4)	<p>Growth of Economy & Regeneration team to improve speed and depth of delivery.</p> <p>Increased briefing & reporting to members.</p> <p>External resourcing for support on Arundel Bypass- this awaits updated decision from govt in RIS 3.</p> <p>Seek legal advice on possible legal challenges.</p>

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>	Tony Baden

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>The Group Head of Finance has engaged an external resource to review and develop the Council's Medium Term Financial Forecast. This will be reported to Members as part of the budget setting process and will give an updated view of the Council's overall financial position.</p> <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> <p>Monitoring of potential changes to government policy, legislation etc.</p> <p>Sufficient reserves.</p>	8 (2x4)	<p>Develop an Income Generating Strategy to guide the Council's income generating activity and investments.</p> <p>Review the frequency of financial reporting to CMT and regularise this with the aim of raising awareness regarding our current financial position. This will include the budget monitoring report, medium- term forecast and specific service area requirements e.g. quarterly report on the HRA to CMT.</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>	Karl Roberts/ 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>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>	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.

	<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>		<ul style="list-style-type: none"> • 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).
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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> <p>Detection and containment delays may mean increased damaged and increased data loss.</p> <p>A national attack will mean access to cyber experts and other government agency help may not be available.</p>	Major successful 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 with no IT systems for staff & customers (2 to 6- month phased recovery).</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> <p>Each day of downtime= c£90k loss of productivity.</p>	Jackie Follis
			<p>2. Loss of technology, data, and communications; through major outage of datacentre, or integral infrastructure component failure.</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 word still work outside of council premises although with reduced facilities.</p> <p>Potentially a significant disruption of service with no IT systems for staff & customers (5-28- day phased recovery).</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>	
			<p>3. Permission to connect to government systems such as DWP is revoked.</p>	Lack of resources / not having a current code of connection certificate. Service provider not accepting mitigations and/or remediation plan.	<p>Unable to undertake functions requiring access to government systems e.g. benefits processing.</p>	

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>1. Cyber protection layers, recovery facilities, air-gap backups, advance notifications and warnings, cyber training, staff security policy, staff awareness training, and cyber response plan.</p> <p>Services should have a BCP in place including scenarios for extended periods of no ICT.</p>	8 (2x4)	<p>The impact has a major significance for the 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 amount by any amount even if only to reduce by a point factor would be worthwhile.</p> <p>New post of IT Security Officer to focus on protect and recover.</p> <p>Continually review new cyber defences and recovery approaches.</p>
12 (3x4)	<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>Services should have a BCP in place including scenarios for extended periods of no ICT.</p>	6 (2x3)	Accept risk and existing mitigations.
12 (4x3)	<p>3. Undertake annual IT Health Check, create and action remediation plan and submit application to Cabinet Office.</p>	6 (2x3)	Ensure sufficient resources allocated.

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>Inability 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/ Joe Russell-Wells

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 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>	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>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> <p>Recent Audit review of Corporate Business Continuity arrangements across the authority has taken place over Q4 2022-23. Outcomes awaited with a view to any advisory outcomes</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 6	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
<div>Page 155</div> <div>9</div> <div>(3x3)</div>	<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> <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>	<div>4</div> <div>(2x2)</div>	<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> <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>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>Senior Information Management Officer has obtained FOI qualification.</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 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 possible prison sentences. Such failures may also lead to civil claims for compensation.	<p>Inadequate health and safety arrangements.</p> <p>Lack of awareness of Health and Safety policies, procedures, and responsibilities.</p> <p>Inadequate capability, competence and/or training of managers and staff on health and safety.</p> <p>Insufficient resources or capacity to manage health and safety.</p> <p>Lack of staff training.</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> <p>Reputational damage/ poor publicity.</p> <p>Corporate manslaughter prosecution.</p> <p>Fines and possible prison sentences.</p> <p>Civil claims for compensation.</p> <p>Regulatory censure/ intervention.</p>	Nat Slade

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>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.</p> <p>Safety Management Programme tasks issued monthly, to manage service level risks.</p> <p>Corporate health and safety support function within Environmental Health.</p> <p>Quarterly reports on health and safety provided to CMT. Monthly KPI (CP6).</p> <p>Corporate health and safety commentary on committee reports.</p> <p>Internal Audit of Corporate Health & Safety July 2022.</p>	8 (2x4)	<p>Introduce manager health & safety induction training.</p> <p>Introduce corporate health and safety training programme.</p> <p>Review the safety management programme.</p> <p>Introduce an annual health and safety verification/assurance programme.</p> <p>Action the recommendations of the Internal Audit Report (Sep 22).</p> <p>Develop health and safety culture and communications.</p> <p>Resource implications highlighted are not included in the budget- this needs to be addressed.</p>

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 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>	Jackie Follis

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
<div>12</div> <div>(3x4)</div> <div>Page 159</div>	<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>	<div>8</div> <div>(2x4)</div>	<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 12	Directorate of Environment and Communities	Homelessness	<p>Increase in homelessness presentations.</p> <p>Homelessness demand exceeds resources available.</p>	<p>Not being able to meet the homelessness need.</p> <p>Lack of suitable Emergency Accommodation and available Temporary Accommodation.</p> <p>Private Sector housing market becoming more expensive.</p> <p>Increased complex homeless presentations.</p> <p>Impact of the cost-of-living increases demand.</p> <p>Increases in mortgage rates lead to more housing reposessions.</p>	<p>Inadequate resource to manage the number of presentations.</p> <p>Legal challenge.</p> <p>Children being subject to homelessness.</p> <p>Vulnerable people (disabled, elderly, chronically ill etc.) being subject to homelessness.</p>	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)	<p>Effective planning and deployment of resources.</p> <p>Timely decision making and effective casework management by Housing Options Officers.</p> <p>Regular monitoring of caseloads by the Team Leader.</p> <p>Flag to Senior Management Team.</p>	9 (3x3)	<p>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.</p> <p>New acquisitions bring a modest annual increase in net supply and whilst this will inevitably have an overall positive impact on households in temporary accommodation, it will not make a significant difference to the number of households in TA.</p> <p>We are working towards establishing new supported housing provision for single people through the SHAP grant process. When these units are completed they will make a difference to the number of single homeless people in TA.</p> <p>We are working towards establishing new temporary accommodation using the LAHR grant process. When these units are completed they will reduce the reliance on B&B and emergency accommodation, reducing costs and increasing standards.</p>

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.	<p>Poor project management.</p> <p>Interface/API solution delays with partners.</p> <p>Reduced project team resources/sickness/absence/resignations.</p> <p>Lack of, or changes in decision making.</p> <p>Lack of service level expertise.</p> <p>Contractual issues.</p> <p>Additional costs.</p>	<p>Reputational damage.</p> <p>Inability to deliver services.</p> <p>Inability to collect payments.</p> <p>Inability to set rents.</p> <p>Inability to create and end tenancies.</p> <p>Reduced service to tenants.</p> <p>Missed opportunity for service improvement.</p> <p>Coming to the attention of the Housing Ombudsman & Regulator for Social Housing.</p>	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
12 (3x4)	<p>Change in project manager via 3C consultants to give improved governance and direction to the project.</p> <p>Backfills completed for the project team, less requirements on them from their day-to-day roles.</p> <p>New project manager working closely with Civica and will escalate within Civica and Arun if the project plan timescales look at risk.</p> <p>Project plan includes more time for testing, build, data passes and realistic contingency based on previous projects of this type.</p>	4 (2x2)	As a last resort some lesser used functionality could be left until after go- live if time slipped too much.

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.	Moh Hussein

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
<div> <div>4</div> <div>(1x4)</div> <div>Page 162</div> </div>	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.	<div> <div>4</div> <div>(1x4)</div> </div>	These measures have been established. Activity is undertaken to a program and continues to be managed and reviewed closely.

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.	<p>High staff turnover.</p> <p>Lack of training.</p> <p>Lack of procedure.</p> <p>Lack of lessons learnt reviews.</p>	<p>Reputational damage.</p> <p>Poor relationship with tenants.</p> <p>Missed opportunity for service improvement.</p> <p>Complaints escalation.</p> <p>Non-compliance with the Ombudsman complaint handling code.</p> <p>Coming to the attention of the Housing Ombudsman & Regulator for Social Housing.</p>	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)	<p>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.</p> <p>The Corporate Complaints process has been revised with complaints being handled/ investigated within the service area. This increases awareness, accountability, and responsibility enhancing the potential for service area improvements. Resource implications of the revised process are being monitored and addressed.</p> <p>Correct culture on complaints handling means complaint resolution is well managed and actions are clearer.</p>	6 (2x3)	<p>Staff training.</p> <p>Better awareness of the policy.</p> <p>Development of a complaints handling procedure.</p> <p>Annual training.</p> <p>Feedback to staff on complaints and lessons learnt.</p> <p>Fostering a culture of positive benefits from resident complaints.</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 16	All Directorates	Chief Executive resignation/ vacancy	<p>Delayed or unsuccessful recruitment of replacement Chief Executive.</p> <p>Gaps in the delegation of decision- making, responsibility, and accountability.</p>	New administration wishes to explore all appropriate options regarding recruitment as part of the recruitment process.	<p>Breach of statutory obligations.</p> <p>Increased accountability, responsibility and pressure on directors and senior management.</p> <p>Lack of or reduced representation on external bodies.</p> <p>Strategic decisions delayed including transformation.</p> <p>Potential delay in delivering a significant improvement to the net budget position and implementation of Target Operating Model.</p> <p>Staff uncertainty and low staff morale.</p> <p>Reputational issues.</p> <p>Negative public perception.</p>	Karl Roberts/ Philippa Dart

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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>Robust recruitment process.</p> <p>Communication with staff to provide assurance.</p> <p>Communication with the public/ press releases.</p> <p>Secure political support for implementation of measure for early action on delivering a significant improvement to the net budget position and implementation of Target Operating Model.</p> <p>Appointment of current Directors as joint interim CEO's.</p>	8 (2x4)	<p>Agree recruitment process and timetable (both for any interim as well as permanent).</p> <p>Interim CEO's to maintain regular dialogue with political leadership on issue. Also explore options with Group Head of Organisational Excellence.</p>

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 17 (ORR 54)	Growth	Disabled Facilities Grant	<ul style="list-style-type: none"> Potential for government to clawback ~300K pa from 2020 onwards of Better Care Fund grant that is used on salaries of PSH team staff delivering adaptations, county project manager salary & countywide minor repairs contract and countywide deep clean contract 	<ul style="list-style-type: none"> Ambiguity over use of Better Care Fund on revenue exacerbated by non-statutory DLUHCs guidance produced by Foundations. 	<ul style="list-style-type: none"> Detriment to Council's financial position – reduction of reserves. 	Nat Slade

GROSS RISK LEVEL (Risk is Likelihood x Impact)	EXISTING CONTROLS/ MITIGATING ACTIONS	NET RISK LEVEL (Risk is Likelihood x Impact)	FURTHER ACTIONS
4 (1x4)	<ul style="list-style-type: none"> Risks applicable to all District & Borough Councils within the West Sussex Adaptations Project. Risks outlined by joint Project Manager considered by the inter-authority project Steering Group – recommendation made by Steering Group to WSCEO Group in June 2022 who decided to accept the risk and proceed with project. 	4 (1x4)	None identified.

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AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME – 2023/2024

Date of Meeting: 25 July 2023		
Subject	Lead Officer / Member	Comments
Statement of Accounts		
Draft Annual Governance Statement 2022/23 and Local Code of Corporate Governance	Group Head of Finance	Draft version to be considered by Committee (final version will be presented with the Annual Accounts)
Governance Framework		
Updates to Corporate Risk Register	Finance & Risk Manager	
Treasury Management		
Treasury Management Annual Report 2022/23	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council
Internal Audit		
Annual Internal Audit Report & Opinion 2022-2023	Southern Internal Audit Partnership	
Other Items		
Independent Remuneration Panel – Review of the Members' Allowances Scheme for Arun District Council – Outline Report and Timetable	Committee Services Manager	
Counter-Fraud Report 2022/23	Group Head of Finance	
Work Programme		
To agree the rolling work programme for 2023/24		

Date of Meeting: 28 September 2023		
Subject	Lead Officer / Member	Comments
External Audit		
Auditor's Annual Report	Ernst & Young	Covering the audit of the 2021/22 Accounts
Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chair	Letter to be sent to external audit

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2023/2024**

Internal Audit		
Progress Against the Audit Plan	Southern Internal Audit Partnership	
Treasury Management		
Treasury Management Interim Report	Senior Accountant (Treasury Management)	
Governance Framework		
Updates to Corporate Risk Register	Finance & Risk Manager	
Other Items		
Annual update on the Council's use of powers under the Regulation of Investigatory Powers Act 2000 (RIPA)	Group Head of Law & Governance	
RIPA Policy and Guidance	Group Head of Law & Governance	
Work Programme		
To agree the rolling work programme for 2023/24		

Date of Meeting: 30 November 2023		
Subject	Lead Officer / Member	Comments
External Audit		
Audit Planning Report	Ernst & Young	Covering the audit of the 2022/23 Accounts
Treasury Management		
Treasury Management Mid-Year Report	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council
Internal Audit		
Progress Against the Audit Plan	Southern Internal Audit Partnership	
Governance Framework		
Risk Management Framework	Finance & Risk Manager	
Updated Corporate Risk Register 2023/24	Finance & Risk Manager	

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2023/2024**

Other Items		
Annual Review Of The Partnerships Register	Group Head of Organisational Excellence (TBC)	Requested by the Committee at its November 2021 meeting
Work Programme		
To agree the rolling work programme for 2023/24		Updates, etc.

Date of Meeting: 27 February 2024		
Subject	Lead Officer / Member	Comments
Statement of Accounts		
Annual Statement of Accounts 2022/23 and Letter of Representation	Group Head of Finance	TBC
Final Annual Governance Statement 2022/23	Group Head of Finance	TBC
Approval of Accounting Policies 2023/24	Group Head of Finance	If CIPFA advise of any changed requirements, then an update will be provided at the next meeting
External Audit		
Audit Results Report	Ernst & Young	Covering the audit of the 2022/23 Accounts
Treasury Management		
Treasury Management Strategy Statement and Annual Investment Strategy	Senior Accountant (Treasury Management)	For approval by Full Council (13 Mar 2024)
Internal Audit		
Internal Audit Charter	Southern Internal Audit Partnership	
Annual Internal Audit Plan 2024/25	Southern Internal Audit Partnership	
Progress Against the Audit Plan	Southern Internal Audit Partnership	

**AUDIT & GOVERNANCE COMMITTEE
WORK PROGRAMME – 2023/2024**

Governance Framework		
Updates to Corporate Risk Register	Finance & Risk Manager	
Other Items		
Independent Remuneration Panel – Recommendations Following Review of the Members' Allowances Scheme	Committee Services Manager	
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 2024/25		

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

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 further full review due)

Relevant policy reviews, updates, etc.