



Public Document Pack

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14 September 2023

AUDIT AND GOVERNANCE COMMITTEE

A meeting of the Audit and Governance Committee will be held in **Council Chamber, Arun Civic Centre, Maltravers Road, Littlehampton, BN17 5LF** on **Thursday 28 September 2023 at 6.00 pm** and you are requested to attend.

Members: Councillors Dr 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 **Thursday 21 September 2023** in line with current Committee Meeting Procedure Rules.

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

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

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

Members and Officers should make their declaration by stating:

- a) the item 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 - 10)

The Committee will be asked to approve as a correct record the Minutes of the Audit & Governance Committee held on 25 July 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. INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2023

(Pages 11 - 24)

The report outlines the progress of the Council's Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2023.

[15 Minutes]

7. RESPONSE TO ERNST & YOUNG ON THE ANNUAL ASSURANCE LETTER REGARDING GOVERNANCE ARRANGEMENTS (Pages 25 - 36)

Each year the Chair of the Audit & Governance Committee is requested to provide a response to Ernst & Young (the Council's external auditors) in respect of the oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council.

[10 Minutes]

8. TREASURY MANAGEMENT – QUARTER 1 REPORT 2023/24 (Pages 37 - 50)

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. The 2023/24 Treasury Management Strategy states this report will go to the Audit and Governance Committee in September. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

During the first quarter to 30th June 2023, the Council complied with its legislative and regulatory requirements, including confirmation that the authorised limit was not breached.

[30 Minutes]

9. CORPORATE RISK REGISTER UPDATE (Pages 51 - 70)

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.

[15 Minutes]

10. UPDATED RISK MANAGEMENT FRAMEWORK (Pages 71 - 96)

The Council's Risk Management Framework has been reviewed and updated to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

This report highlights any amendments resulting from the review.

[15 Minutes]

11. WORK PROGRAMME (Pages 97 - 100)

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](#)

Agenda Item 3

Subject to approval at the next Audit and Governance Committee meeting

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AUDIT AND GOVERNANCE COMMITTEE

25 July 2023 at 6.00 pm

Present: Councillors Dr Walsh (Chair), O'Neill (Vice-Chair), P. Bower, Goodheart, Haywood, May, Oppler, Purser, Turner and Wallsgrove

177. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Jones.

178. DECLARATIONS OF INTEREST

There were no Declarations of Interest made.

179. MINUTES

The Minutes of the meeting held on 28 February 2023 were approved by the Committee. These would be signed at the end of the meeting.

180. 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

There were no urgent matters for this meeting.

181. PUBLIC QUESTION TIME

No public questions had been submitted for this meeting.

182. START TIMES

The Committee

RESOLVED

That its start times for meetings for 2023/24 be 6.00pm.

183. MEMBERS' ALLOWANCES SCHEME – PROGRESSING THE NEXT REVIEW

Upon the invitation of the Chair, the Committee Services Manager introduced the report, explaining she was presenting this on behalf of the Group Head of Law & Governance and Monitoring Officer. Members of the Council's Independent Remuneration Panel were also in attendance.

The report outlined plans for the next review of the Members' Allowances Scheme which was now due as the last full review of the scheme had been undertaken and approved by Council in July 2019. An interim review had been undertaken by the Panel in November 2020 and reviewed the Special Responsibility Allowances (SRAs) of the Leader and Deputy Leader of the Council and Cabinet Members in preparing for the Council's move from a Leader and Cabinet form of governance to a Committee system. This review examined the 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.

To comply with The Local Authority Members Allowances (England) Regulations 2003, a review of an authority's Members' Allowances Scheme should be conducted at least every four years. As the Committee system had been in place since May 2021 and following the District Election held on 4 May 2023, it was timely to undertake a review of all allowances. The report set out the Terms of Reference for the Panel and the general principles that would be applied by it in undertaking a review. It highlighted in paragraphs 3.5 what the review would cover and at 4.8 a planned timetable for the review.

Members then took part in a question and answer session where the following points were raised:

- The Chair highlighted that he was aware that one Councillor (who was not a Member of this Committee) had suggested that the Panel be invited to review whether or not Members should be paid an SRA for a Committee they sat on that required training, when they had not yet completed that training.
- Members welcomed the review and the idea of comparing this with other Councils, particularly those with a Committee system.
- It was suggested the Panel look at whether Members of the Licensing Committee required to Chair Licensing Sub-Committee meetings should receive remuneration for this.
- One Member felt Member allowances were too high and this needed to be reduced, possibly by reducing the basic allowance or SRAs.
- Some Members felt that Councillors should only be allowed to claim one SRA, which was thought to be the standard for most councils. Other Members strongly disagreed with this and felt Councillors should be reimbursed for each role they carried out.
- It was asked whether a progress report could be brought to Committee before Christmas. The Chair explained there would instead be a seminar

for Members at the beginning of September with a presentation regarding the background to Member Allowances. The Panel were working to a tight timetable and had a lot of work to do.

- Paragraph 3.4 stated there would 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. It was stated this should not lead to a large addition of expenses.

Having outlined any areas that it wished the Panel to review, the Committee noted the report and the approach to be taken by the Independent Remuneration Panel for its next review in terms of the timetable proposed.

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

Upon the invitation of the Chair, the Internal Audit Manager introduced the report, explaining the Annual Governance Statement (AGS) was a mandatory document which accompanied the Council's annual accounts. Along with the draft accounts for 2022/23, which had been published to the Council's website that day, it would be published on the Council's website and provided to the external auditors for review. This had been prepared with input from Officers and had been reviewed by the Corporate Management Team and signed by the joint interim Chief Executive Officers (CEOs) and the Leader of the Council. New or amended wording from the previous AGS were highlighted in the document. While it was generally a backward-looking document covering the period of the accounts, best practice was that significant governance changes occurring before the accounts were approved may also be included, hence reference had been made to the change in political control of the Council and also to the resignation of the CEO. This draft version was presented to the Committee for noting and the final version would be presented for approval by the Committee at a future meeting, along with the audited accounts. The process for the preparation of the AGS had been reviewed by the Southern Internal Audit Partnership (SIAP) and no issues had been raised. A copy of the Council's local Code of Corporate Governance had also been provided, to which no changes were proposed.

Members then took part in a question and answer session which are briefly summarised below.

It was noted that there had been a relaxation of timescales and the audit would be delayed until 2024, and asked whether that would have an impact on the way Arun delivered documents to the auditors, or whether it only the audit that would be delayed. The Internal Audit Manager explained that the target dates had been relaxed for Covid-19. These were not statutory deadlines and it had been agreed with the external auditors that Arun delay publication of the draft accounts from 31 May until 31 July, as the auditors would not be completing the audit within the recommended timescales. Arun were therefore required to publish a statement on the website to explain that publication of the accounts had been delayed. It was asked that this reflect that this was

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not the fault of Arun. The Internal Audit Manager confirmed this was clear on the notice published to the website.

The Annual Governance Statement on page 28 talked about clear channels of communication. One Member stated that in training they had been told that having a single entry for enquiries was best practice, and it was felt this would be easier both for Councillors and members of the public, as often people did not know who to ask for. The Internal Audit Manager explained there was a standard telephone line that went to the main switchboard if someone didn't know who they needed to get hold of. He believed the Culture Change Group were looking at values and potentially trying to get a more focused direction for this. It was asked that the culture change group look at this and take the request into consideration.

It was asked whether Arun should be putting pressure on the external auditors with a view to the audit being completed within the target deadlines. The Internal Audit Manager explained this was a national issue which had been covered in the Redman Revue, and was currently being considered by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Group Head of Finance and the CEOs had regular meetings with the external auditors, however there was not much that Arun could do about it.

Page 27 talked about being in breach of the regulator for social housing, and it was asked whether this was still the case. The Internal Audit Manager explained that the action plan on page 42 stated that it was anticipated the issues had been resolved and the Regulator would release the Council from the Regulatory Notice in 2023. He would make enquiries to establish whether this had happened and circulate an answer to Members.

Page 30 stated that there would be significant work required to reduce the budget deficit over the coming years, and it was asked whether any progress had been made regarding a plan to address this. The Chair explained that this was a very valid question, however as this was a backward-looking document, the question would be better asked at forthcoming meetings when progress reports would be brought to the Committee by the Group Head of Finance.

The Committee noted the draft version of the Council's Annual Governance Statement for 2022/23

185. COUNTER-FRAUD REPORT 2022/23

Upon the invitation of the Chair, the Internal Audit Manager introduced the report to Committee. The report summarised the Council's counter-fraud activity for the year. A more detailed update on the work on tenancy fraud undertaken by Housing staff had been provided to the Committee at the February meeting. The Council's fraud framework was currently being reviewed by SIAP and findings and recommendations for improvement would be presented for consideration by Officers and reported to a future meeting of the Committee. As noted in the report, from 2020 to 2022 a

considerable amount of work, primarily within the Revenues section in addition to their main role, had been undertaken in order to prevent fraud in the distribution of over £50M of Government funds for Covid business support grants. In 2022 and 2023, the Revenues section had again been instrumental in processing and checking almost £9M of the various energy support payments as required by Government.

Members then took part in a question and answer session where the following points were raised:

- Members thanked the Internal Audit Manager for the report, and stated that all Officers working towards the outcome of this report must be commended, as it had saved the Council a lot of money.
- It was asked whether the estimated financial savings to the Council of around £1.3M were all savings for Arun. The Internal Audit Manager explained that this was the nominal value placed on the recovery of the 10 properties. It did not mean the Council had gained this value in cash.

The report was noted.

186. TREASURY MANAGEMENT ANNUAL REPORT 2022/23

Upon the invitation of the Chair, the Internal Audit Manager introduced the report, explaining that he was presenting this on behalf of the Group Head of Finance who unfortunately had been unable to be present at the meeting. He highlighted that page 75, table 4.2 showed the Qatar National Bank and First Bank of Abu Dhabi deposits had now matured. Both the CCLA and Standard Chartered investments were classed as sustainable, something that would be given more consideration in the future. Page 85, table 4.3 showed there had been a significant reduction in the amount of overall investment available across the years, which had reduced from £68M to £43M. This was as a result of a significant amount of grant funding, such as Covid-19 grants, being returned to the Government in 2022/23. Page 86, table 4.5 showed the Council had outperformed its investment budget and investment return by over £1M, which was partly due to good management of Treasury investment, and partly due to unexpected interest rises.

Members then took part in a question and answer session where the following points were raised:

- It was observed that page 81 commented that the Council currently had no external debt other than that taken out for the Housing Revenue Account, which was a separate financial and administrative function from the rest of the Council.
- It was asked how many investments were locked in for a set time, and what these timeframes were, and whether the Council would be able to fund unforeseen expenses. The Chair explained that page 85, table 4.4 detailed how many investments were longer than one year, and how many were less, showing the vast majority were less than one year. He explained there were also reserves held, and he felt the Council's financial position was sound. If further information was required regarding this, Members should contact the Internal Audit Manager, who would obtain answers from the Group Head of Finance.

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- Support was offered for Arun considering ethical investments.

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

The Committee

RECOMMEND TO FULL COUNCIL that

1. the actual prudential and treasury indicators for 2022/23 contained in the report be approved
2. the annual treasury management report for 2022/23 be noted
3. the treasury activity during 2022/23 which has generated interest receipts of £1,455,650 (2.35%); budget £370,000 (0.84%) be noted
4. 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, be approved
5. as agreed at Audit & Governance Committee on 28 February 2023, that the Qatar National Bank and First Bank of Abu Dhabi have been removed from the counterparties list in the Council's Treasury Management Strategy, be noted

187. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23

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. This was the Annual Report and Opinion for 2022/23, which summarised the internal audit activity across a range of Arun's functions during the year. She highlighted that sections 1-3 (Page 105 – 107) of the document contained background to the audit; section 4 (Page 108) provided the overall annual opinion for the Council, reflected in the table towards the bottom of page 108. Overall, they were able to provide a 'reasonable' audit assurance opinion for the purposes of the report, which was good; section 5 (page 109) provided a summary of work in the areas of Risk Management, Control and Corporate Governance, which framed the remit in which they placed the annual assurance opinion; pages 111-114 detailed the four areas of audit review during the course of 2022-23, which resulted in a limited assurance opinion; page 115 detailed the management actions, and a statement that SIAP were satisfied with these actions; SIAP had also completed two pieces of work on the irregularity of procurement, which centred around following of procurement rules. Both of those reports were currently with management and any further update would be provided through the progress report to Committee; section 11 thanked Arun Officers and staff who had all been engaged with the process; pages 118 – 125 set out each of the completed audit areas with details of

scope and key areas for improvement identified; page 125 listed all the changes to the plan made during the year.

The Chair thanked the Senior Audit and Counter Fraud Manager for her and her team's work on this, and he also thanked the Arun Officers who had been engaged throughout the year. Members were reminded if they had any questions regarding the exempt appendix, they would need to move into exempt business prior to that. Members then took part in a question and answer session as summarised below.

One Member stated he wished to ask a question regarding the exempt appendix.

Page 111 detailed an excess in spending on agency staff and the oversight of this, it was asked whether SIAP recommended measures to Officers to ensure they could avoid this in the future. The Senior Audit and Counter Fraud Manager explained SIAP no longer came up with a series of recommendations, however they did come up with a series of observations which drew out where the areas of weakness within the particular area were. This prompted managers to review and take ownership of actions they believed were necessary to mitigate or cancel out those risks. SIAP would then review these actions to ensure they were satisfied that those weaknesses were being managed. This would also be brought back to the Audit & Governance Committee. The Internal Audit Manager confirmed that the findings of the agency audit were on the agenda of the Corporate Management Team and the Group Head of Organisational Excellence, and they were currently liaising with procurement advisors at Hampshire County Council to identify a framework arrangement whereby they could obtain agency staff in a better way.

There was concern around procurement in general and it was asked whether this was being looked at as a whole or just in relation to agency staff. The Senior Audit and Counter Fraud Manager explained that the management were aware that procurement was an area that needed looking at more closely in terms of ensuring compliance with the required levels.

Page 121 under Climate Strategy noted sound framework of control was found to be in place with some observations for improvement, and it was asked where the observations could be found. The Senior Audit and Counter Fraud Manager explained the observations and management actions rested with the managers of those service areas. The Committee would receive a high level summary and update on the state of implementation of those actions. Where a management action was overdue and this was high priority, the Committee would receive further detail.

As one Member had indicated he wished to speak regarding the exempt appendix, with the agreement of the Committee, the Chair paused discussion of this Item, which would resume following the Work Programme Item in exempt session.

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188. CORPORATE RISK REGISTER UPDATE

Upon the invitation of the Chair, the Finance and Risk Manager introduced the report. Since the Corporate Risk Register had been brought to Committee in November, the risks had been reviewed frequently by the Corporate Management Team. Appendix 3 on page 137 contained a summary of the Corporate Risk Register, which captured the changes that had taken place as a result of the review. Appendix 4 on page 138 contained the full updated Corporate Risk Register, which Members were asked to consider and note.

The Chair reminded Members that if they had any questions regarding the exempt appendix, they would need to move into exempt business prior to that. Members then took part in a question and answer session where the following points were raised:

- Page 140 talked about resilience to staff structure and attracting and retaining staff. It was felt more should be done to accommodate young working parents such as childcare facilities or flexible working around school runs. It was asked that this be referred to the Corporate Management Team for consideration.
- There was concern about the amount of red risks on the reports, and it was asked how this compared to previous reports. The Finance and Risk Manager explained that since the new risk management framework had been introduced, they had reviewed all risks and the way risks were assessed was different to in previous reviews, so a like-for-like comparison could not be made.
- It was felt positive that page 137 showed the number of the net risk levels were mostly in amber not in red. The Finance and Risk Manager confirmed this was reflective as it took into consideration the controls that were in place.
- One Member observed that page 145 noted the risk of development being granted on appeal, and felt there was nothing Arun could do about this until the Government had ended the 5 year plan for housing. The Chair explained this was one of the reasons why a review of the Local Plan had been commenced, and it was hoped this would help to mitigate that risk.
- One Member stated he had questions that covered the exempt appendix.

As one Member had indicated he wished to speak regarding the exempt appendix, the Chair paused discussion of this Item, which would resume following discussion of the Internal Audit Annual Report & Opinion 2022/23 Item in exempt session.

189. WORK PROGRAMME

The Committee noted the Work Programme.

190. EXEMPT INFORMATION

Having been proposed by Councillor Oppler and seconded by Councillor Turner, the Committee

RESOLVED

That under Section 100A(4) of the Local Government Act 1972, the public and accredited representatives of newspapers be excluded from the meeting for the following items of business on the grounds that they may involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act by virtue of the paragraph specified against the items.

191. INTERNAL AUDIT ANNUAL REPORT & OPINION 2022/23
[EXEMPT - PARAGRAPH 7 - INFORMATION RELATING TO ANY ACTION TAKEN OR TO BE TAKEN IN CONNECTION WITH THE PREVENTION, INVESTIGATION OR PROSECUTION OF CRIME]

Following discussion the Committee

RESOLVED

That the annual internal audit report and opinion for the year 2022-23 be approved

192. CORPORATE RISK REGISTER UPDATE
[EXEMPT - PARAGRAPH 7 - INFORMATION RELATING TO ANY ACTION TAKEN OR TO BE TAKEN IN CONNECTION WITH THE PREVENTION, INVESTIGATION OR PROSECUTION OF CRIME]

The Committee highlighted the risk of business continuity in the event of a cyber-attack and requested that the Corporate Management Team progress any recommendations in relation to this as rapidly as possible.

The Committee noted the revised Corporate Risk Register.

(The meeting concluded at 7.41 pm)

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REPORT TO:	Audit & Governance Committee 28 September 2023
SUBJECT:	Internal Audit Progress Report September 2023
LEAD OFFICER:	Antony Baden, Group Head of Finance and Section 151 Officer
LEAD MEMBER:	Cllr Dr Walsh
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
The Council’s budget promotes all of the Council’s Corporate Priorities.	
DIRECTORATE POLICY CONTEXT:	
The Council’s Internal Audit Service has an effect on all Directorates of the Council.	
FINANCIAL SUMMARY:	
There are no direct financial implications arising from the report. Provision of a sound Internal Audit Service should result in effective financial control and guard against theft and fraud.	

1. PURPOSE OF REPORT

- 1.1. The Committee has a responsibility to review the Internal Audit Progress report to ensure that action has been taken by relevant managers on risk based issues identified by Internal Audit.

2. RECOMMENDATIONS

- 2.1. The Committee is requested to receive this report and note progress to date, as at 5 September 2023.

3. EXECUTIVE SUMMARY

- 3.1. The report outlines the progress of the Council’s Internal Audit service against the approved Internal Audit Plan for 2022/23 from 1 April 2023.

4. DETAIL

- 4.1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:
 - ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective

exercise of functions and includes arrangements for the management of risk; and

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

4.2 In accordance with proper internal audit practices (Public Sector Internal Audit Standards), the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

- The status of 'live' internal audit reports (outstanding management actions);
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and a summary of significant issues that may impact on the Chief Internal Auditor's annual opinion.

4.3 The progress report is attached at Appendix 1 and provides a clear and transparent articulation of internal audit activity, performance, and outcomes during the period up to 5 September 2023.

5. CONSULTATION

5.1. N/A

6. OPTIONS / ALTERNATIVES CONSIDERED

6.1. The report is for information only.

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

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

8. RISK ASSESSMENT CONSIDERATIONS

8.1. The main risks arising from the process are:

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

8.2. Processes in place and financial controls mitigate against these risks.

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

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

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 impacts.

CONTACT OFFICER:

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

BACKGROUND DOCUMENTS: [Annual Internal Audit plan 2023/24](#)

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

ARUN DISTRICT COUNCIL INTERNAL AUDIT PROGRESS REPORT SEPTEMBER 2023

Prepared by: Iona Bond, Assistant Head of Partnership

September 2023

1. Role of Internal Audit

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

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

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

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

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

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

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

2. Purpose of report

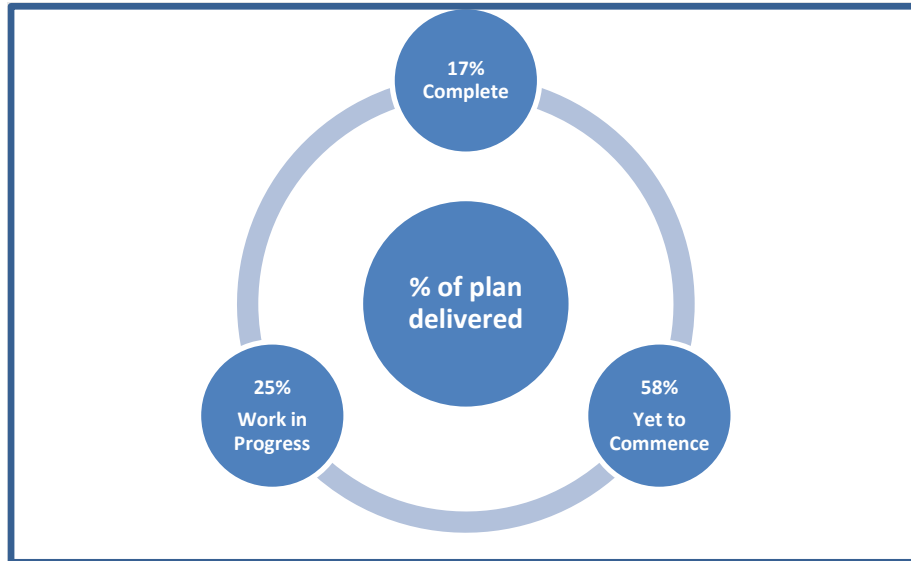
In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

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

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

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

3. Performance dashboard



Compliance with Public Sector Internal Audit Standards

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

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

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

4. Analysis of 'Live' audit reviews

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)*	Not Yet Due	Complete	Overdue		
							L	M	H
2022/23									
Cyber Security	25/11/2022	CEX	Reasonable	10 (2)	1 (0)	8 (0)	1		
Information Governance	09/12/2022	CEX	Reasonable	8 (5)	2 (2)	3 (2)		2	1
Use of Agency Workers	30/01/2023	CEX	Limited	10 (0)	0(0)	8 (0)		2	
Decision Making and Accountability	08/02/2023	CEX	Substantial	3 (0)	3 (0)	0 (0)			
IT Asset Management	08/03/2023	DoE&C	Reasonable	8 (3)	0 (0)	7 (2)			1
Procurement	05/04/2023	CEX	Limited	7 (1)	2 (1)	5 (0)			
Climate Strategy	12/04/2023	DoE&C	Reasonable	2 (1)	2 (1)	0 (0)			
Car Parks and Enforcement	23/05/2023	DoG	Reasonable	7 (1)	1 (0)	6 (1)			
Accounts Receivable and Debt Management	13/06/2023	CEX	Reasonable	4 (1)	4 (1)	0 (0)			
Cleansing	04/07/2023	DoE&C	Reasonable	8 (0)	4 (0)	4 (0)			
Homelessness	06/07/2023	DoE&C	Limited	13 (13)	11 (11)	2 (2)			
Business Continuity	28/07/2023	DoE&C	Limited	23 (10)	23 (10)	0 (0)			
2023/24									
IT Systems Development and Implementation (eforms)	29/08/2023	CEX	Reasonable	7 (4)	6 (4)	1 (0)			
Fraud Framework	05/09/2023	CEX	Reasonable	12 (1)	11 (1)	1 (0)			
Total							1	4	2

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

Audit Sponsor

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

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

There have been no reports published concluding a “Limited” or “No” assurance opinion to date for 2023/24.

6. Planning & Resourcing

The internal audit plan for 2023-24 was presented to the Corporate Management Team and the Audit & Governance Committee in February 2023.

The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Corporate								
Transformation	CEX							Q4
Governance								
Fraud Framework	CEX	✓	✓	✓	✓	✓	Reasonable	
Risk Management	CEX	✓	✓					
Annual Governance Statement	CEX	✓	✓	✓	✓	✓	Substantial	
Human Resources	CEX							Q3
IT								
Cyber Security	DoE&C	✓	✓					
Disaster Recovery Planning	DoE&C							Q3
System Development and Implementation (eforms)	DoE&C	✓	✓	✓	✓	✓	Reasonable	
PCI	DoE&C	✓	✓	✓	N/A	N/A	N/A	Advisory work
Finance								
NNDR	CEX	✓	✓	✓				

Audit Review	Sponsor	Scoping	Terms of Reference	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Housing Rents	DoE&C	✓	✓	✓				
Medium Term Financial Planning	CEX	✓	✓					
Improving the Wellbeing of Arun								
Disabled Facilities Grant	DoE&C							Q4
Leisure	DoE&C							Q3
Delivering the Right Homes in the Right Places								
Housing Voids	DoE&C							Q3
Responsive Maintenance	DoE&C							Q4
Replacement Housing IT System	DoE&C							As required
Planning and Development Management	DoG							Q4
Supporting Our Environment to Support Us								
Parks and Green Spaces	DoE&C							Q4
Environmental Health and Protection – Food Safety	DoG							Q2
Environmental Health and Protection – Noise and Enforcement	DoG							Q3
Fulfilling Arun’s Economic Potential								
Economic Regeneration	DoG							Q3
Corporate Property Portfolio	DoG	✓	✓	✓				
Miscellaneous								
Licensing – Taxi’s	DoG							Q4

8. Adjustments to the Internal Audit Plan

The following adjustment to the plan has been made:

Removed from the Plan	Reason
Economic Regeneration	Following the work undertaken in 2022/23, there is no requirement for additional work this year.

Overdue 'High Priority' Management Actions

IT Asset Management - Reasonable			
Observation: There is CCTV coverage on the outside of the building, inside the reception area and the doorways leaving the area where devices are stored. Although there is no coverage of the doors to the storage locations, the routes to those locations are covered to some extent. Although the Net2 system records logs of access to doors by card there are currently shared access cards in use, for example "Engineer, Phone Engineer 1", "Civic Centre, Avantguard".			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
Replace shared access cards with individual cards and review door access to IT offices.	31.03.2023	31.10.2023	This is in progress. It has been more time consuming than anticipated to take back contractors passes.

Information Governance - Reasonable			
Observation: The Council's Data Protection Policy stipulates that all staff are required to undertake an annual programme of mandatory refresher data protection training. Appropriate training and briefings on data protection policies and procedures should be provided to Councillors on a biannual basis. Whilst we confirmed that data protection refresher training had been rolled out to staff in May 2021 and Councillors in 2020, there had not been any refresher training provided or planned for this year as at the time of the audit testing.			
Management Action	Original Due Date	Revised Due Date	Latest Service Update
The Council will provide DP training to all Councillors following the May 2023 elections and every 2 years thereafter	31.07.2023	31.10.2023	This is in progress but the July 2023 date was not achievable due to the need for Councillors to undertake their induction programme following the May 2023 elections. That programme is now complete and the DP training will now be rolled out.

Overdue 'Low & Medium Priority' Management Actions (August 2023)

Audit Review	Report Date	Opinion	Priority	Due Date	Revised Due Date
Cyber Security	25.11.2022	Reasonable	Low	31.03.2023	31.10.2023
Information Governance	09.12.2023	Reasonable	Medium	31.07.2023	31.10.2023
			Medium	30.05.2023	31.10.2023
Use of Agency Workers	30.01.2023	Limited	Medium	31.07.2023	31.12.2023
			Medium	31.07.2023	31.12.2023

Arun District Council

REPORT TO:	Audit & Governance Committee 28 September 2023
SUBJECT:	Response to Ernst & Young on the Annual Assurance Letter Regarding Governance Arrangements
LEAD OFFICER:	Stephen Pearse, Internal Audit Manager
LEAD MEMBER:	Cllr Dr Walsh
WARDS:	All
CORPORATE PRIORITY / POLICY CONTEXT / CORPORATE VISION:	
Arun District Council is subject to an annual external audit of its Accounts and the auditors request information in respect of the oversight of relevant management processes	
DIRECTORATE POLICY CONTEXT:	
N/A	
FINANCIAL SUMMARY:	
N/A	

1. PURPOSE OF REPORT

- 1.1. To present to the Committee a copy of the response provided by the Chair of the Audit & Governance Committee to the information request received from the external auditors

2. RECOMMENDATIONS

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

3. EXECUTIVE SUMMARY

- 3.1 Each year the Chair of the Audit & Governance Committee is requested to provide a response to Ernst & Young (the Council's external auditors) in respect of the oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council.

4. DETAIL

- 4.1 As part of the background work in preparing for the annual audit of the Council's Accounts, the external auditors request information on the risk of fraud and possible breaches of internal control in the Council from the Chair of the Audit & Governance Committee, on behalf of 'those charged with governance'. (Separate responses are also requested by the external

auditors from the Section 151 Officer, the Southern Internal Audit Partnership and the Monitoring Officer).

A response has been provided to Ernst & Young by the Chair and a copy is presented to the committee for information.

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 associated with this report.

8. RISK ASSESSMENT CONSIDERATIONS

8.1. This report is for information only.

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

9.1. There are no direct legal implications associated with this report.

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 Pearse
Job Title: Internal Audit Manager
Contact Number: 01903 737561

BACKGROUND DOCUMENTS: *N/A*

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

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Partner, Ernst & Young LLP,
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Grosvenor Square,
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Hampshire,
SO15 2BE

Tel: 01903 737500

Fax: 01903 737747

DX:

Minicom:



e-mail:

17 August 2023

Please ask for:
Stephen Pearse
Corporate Support
37561

Dear Mr Suter,

Thank you for your letter dated 11 July 2023 regarding the International Standards on Auditing (ISAs) requirement that those charged with governance exercise oversight of management's processes for identifying and reporting the risk of fraud and possible breaches of internal control in the Council and how the Audit & Governance Committee gains assurance from management.

Please see below the response to your queries on behalf of the Audit & Governance Committee:

(1) How does the Audit & Governance Committee, as 'those charged with governance' at the Council, exercise oversight of management's processes in relation to:

- *undertaking an assessment of the risk that the financial statements may be materially mis-stated due to fraud or error (including the nature, extent and frequency of these assessments):*

Key financial systems are subject to review by the Southern Internal Audit Partnership (SIAP), who now provide internal audit services to the Council, as part of their annual plan. A summary of key findings from audits performed is reported to and considered by the Committee. Part of these reviews entails confirming that internal controls exist and are operating effectively. Risk of fraud is also considered, where appropriate. Management also undertake regular independent reconciliations and budgetary monitoring to minimise the risk of, and increase the likelihood of detecting, fraud.

The Committee also receives a presentation on the Council's Accounts on an annual basis, together with the external auditor's report, and considers the actions to be taken in respect of any issues identified. These items are then included in the forward work plan.

- *communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's codes of conduct):*

All staff are required to comply with the Officer Code of Conduct (which was updated in 2019), raised as part of their recruitment / induction process. Staff are also required to complete a register of interests form on a periodic basis. Internal (and external) Audit undertake periodic reviews of these arrangements.

Members are also required to comply with a Code of Conduct and make a declaration of interests. These arrangements were emphasised as part of the 'induction' process for all Members following the District Council elections in May 2023 and are overseen by the Council's Standards Committee. Member allowances and compliance with 'related party transaction' disclosure requirements are considered by external audit as part of their annual audit work. All Members were required to undertake appropriate training following the May 2023 District elections as part of their induction processes.

Important communications (e.g. the Bribery Act) will be circulated by management to all staff / Members and posted on the Council's internet and intranet sites.

The Council's published Constitution contains details of the Officer Scheme of Delegation, the Chief Executive's Scheme of Authorisations and Financial Rules / Standing Orders. Following the move to the committee system of governance from May 2021, the Constitution was subject to review and amendment with changes approved by Full Council and further changes, as required, will be raised by the Group Head of Law & Governance for consideration by the Constitution Working Party.

- *encouraging employees to report their concerns about fraud:*

The Council has a published Whistleblowing Policy. The current version was circulated to all staff and a copy is provided to new joiners. This advises of the various mechanisms available for any concerns about fraud to be raised, with arrangements in place to handle cases where staff do not feel able to refer it to their line management.

- *communicating to you the processes for identifying and responding to fraud or error:*

Any fraud (other than benefits and housing tenancy fraud) would be investigated by internal audit and reported to the Audit & Governance Committee as part of the regular quarterly meetings, as well as to appropriate senior management. These responsibilities are contained in the SIAP Internal Audit Charter and the Council's Anti-Fraud, Corruption & Bribery Policy, approved by the Audit & Governance Committee.

The Committee has previously acknowledged the importance to the Council of potential housing tenancy fraud and expressed its support for the Housing Fraud Investigator role. Annual update reports on progress and numbers of properties which have been recovered for re-use by the Council are provided by the Neighbourhood Services Manager to the Committee (most recently in February 2023).

(2) How does the Audit & Governance Committee oversee management processes for identifying and responding to the risk of fraud and the controls established by management to address specific risks of fraud the Council has identified, or that otherwise help prevent, deter and detect fraud:

The Audit & Governance Committee has responsibility for the counter-fraud culture within the Council (as assigned within the Constitution). It meets on a regular scheduled basis, although there is provision within its terms of reference to meet more frequently should it be deemed necessary. On an annual basis, the Committee approves the Annual Internal Audit Plan, which is risk-based and includes consideration of potential fraud risk areas. Relevant information is provided to the Committee on the potential fraud areas in Local Authorities and they will ensure that such risks (and any specific concerns) are considered by Internal Audit for inclusion in the Annual Plan.

At these meetings the Committee receives periodic reports from SIAP in respect of key findings from the audit reviews. These reports provide a summary of the work undertaken and areas where the framework of governance, risk management and control could be improved. If the Committee feels that findings are highly significant and / or the response is inadequate, they have the authority to escalate the issue to require further explanation from senior management.

The Committee receives and considers an annual Counter-Fraud Report (summarising the work performed by the Council in relation to fraud during the year) and also the results of any specific fraud-related audit work. These reports include consideration of the key risk areas appropriate to the Council, as advised by external bodies (e.g. the Cabinet Office, CIPFA, etc.), such as housing tenancy, Council Tax discounts and procurement. The Committee is aware that there is ongoing work to monitor activity in these areas and specific future work will be agreed by the Committee when considering the Annual Internal Audit Plan.

The Council's Anti-Fraud, Corruption & Bribery Policy (which includes the provisions of the Bribery Act 2010) was updated in 2019 and approved by the Committee, prior to adoption by Full Council. In view of its importance, the adoption of the revised Policy was communicated to all Council staff and Members, and the document is posted on the Council's website.

The Council takes part in the National Fraud Initiative (NFI) exercise now managed by the Cabinet Office.

As part of the Government's transparency requirements, details of payments over £500 made to suppliers and other external bodies are published on the Council's web site. From February 2015, the publication requirements were extended and some additional information relating to e.g. counter-fraud and procurement is also now published.

The Committee is also advised of any serious breaches of the Authority's Financial Standing Orders and the action taken in response to the breach.

Within the parameters under which the Audit & Governance Committee operates it has the power / authority to initiate investigations (e.g. by means of working parties).

The Committee also has oversight responsibility for governance and risk management processes within the Council and will approve the Council's Annual Governance Statement (which is presented to the Committee and published with the annual Accounts) and also for the review and update of the Council's:-

- Risk Management Framework
- Corporate Risk Register.

These were reviewed, updated and presented to the Committee in November 2022 and corporate risk register updates will be included at each meeting of the Committee.

As part of the agreed plan, a SIAP review of the Council's Fraud Framework is in progress and the results of this and recommendations for improvement will be provided to Council management and the Committee in due course.

(3) Is the Committee aware of any:

- **breaches of, or deficiencies in, internal control;**
- **any instances of management override of controls and the nature and circumstances of such overrides; and**
- **actual, suspected or alleged frauds during 2022/23:**

Apart from the items raised as part of internal audit reviews and / or other reports presented, the Committee is unaware of any breaches of internal control or management override of controls in 2022/23. Although there is ongoing fraud-related work, there are currently no investigations into actual, suspected or alleged frauds advised as being progressed by internal audit.

The Committee is aware that there will have been ongoing investigations / legal action in respect of a number of cases involving housing tenancy issues. A summary of the number of cases is included in the annual Counter Fraud Report presented to the Committee.

However, Committee Members may also become aware of internal control issues through membership other Committees, Working Groups and reports to Full Council.

(4) Is the Committee aware of any allegations regarding the Council's financial reporting (including those received through a whistleblower program)? If so, what are the Committee's responses to such allegations:

The Committee is not aware of any allegations regarding the Council's financial reporting.

(5) Is the Committee aware of any matters from the procedures implemented for the receipt, retention and treatment of allegations (including whistleblowers) regarding accounting, internal accounting controls or auditing matters? Such procedures include those for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and the response to such allegations:

The Council operates an approved Whistleblowing Policy and complies with the Public Interest Disclosure legislation. Details are published on the Council's website, for staff, contractors and members of the public.

The Council maintains a "hotline" to enable staff and / or members of the public to report suspected fraud, or other concerns. Separate arrangements are in place within Revenues & Benefits for the reporting and investigation of suspected benefits fraud cases (although responsibility for benefits fraud has now passed to the DWP's Single Fraud Investigation Service).

The Committee has not been made aware of any matters regarding accounting, internal accounting controls or auditing matters in 2022/23.

(6) Is the Audit and Governance Committee aware of any organisational or management pressure to meet financial or operating targets:

The Council regularly considers its priorities / Corporate Plan and Budget / Financial Prospects and reports are presented to senior management and Members.

While there will be significant organisational / management pressures in the current economic climate, the Committee is not aware of any that are 'inappropriate'. Should any such occurrences be identified by, or advised to, the Committee they would be referred for investigation.

The Council's Vision 2022-2026 is in place, along with revised corporate performance measures in support of this. As part of this, the Council will consider the provision of essential services in the future and requirements for maximising income / substantially reducing costs going forwards. Lack of funding / reduction in resources in the future will lead to an increase in management pressure and this will be kept in view.

(7) How does the Audit & Governance Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2022/23:

As advised in previous years, it would not be possible for the Committee to provide a categorical assurance to the above. Rather, based on its own knowledge of the Council's activities, supported by the reports received by the various committees (in particular the Audit & Governance Committee and the Standards Committee), it is felt more appropriate to state "to the best of our knowledge and belief, all relevant laws and regulations are being complied with."

The Council's Monitoring Officer attends Full Council and appropriate Committee meetings to ensure that the Council acts in an appropriate and legal manner.

(8) Is the Audit & Governance Committee aware of any actual or potential litigation or claims that would affect the financial statements:

The Committee is currently unaware of any litigation or claims that would specifically affect the financial statements (but understand a separate management response is to be provided by the Group Head of Finance, in consultation with Legal Services, covering this). However, Members are aware that there will always be ongoing litigation and claims within the Council e.g. involving Planning appeals. Some members of the Audit & Governance Committee also sit on other Council committees and will thus be aware of these cases. As part of the presentation / approval of the Annual Accounts, Finance staff provide explanations as to provisions, one-off charges / receipts, etc. that are relevant.

(9) How does the Audit & Governance Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements:

On an annual basis, the Audit & Governance Committee is provided with a detailed walkthrough of the Accounts by the Group Head of Finance and/or Financial Services Manager. The Committee also receives a report to provide its 'Approval of the Accounting Policies' and resolved in February 2023 that these were valid and could be applied to the Statement of Accounts for 2022/23.

The Council maintains significant reserves and has, in the past, been debt-free. However, as at 28 March 2012, the Council was required to borrow a substantial sum (£70.9M) in respect of the Government changes to the Housing Revenue Account (HRA) regime. This

debt is being financed at special rates with staged repayment and is ring-fenced, so the general fund is unaffected. Requirements and options for the borrowing were advised by appropriate Officers / external consultants to the Audit & Governance Committee and to Full Council, who approved the borrowing and the necessary changes to the Council's Treasury Management Strategy. This borrowing was a Government requirement, applied to all affected Councils and was supported by a Housing Revenue Account (HRA) Business Plan, which is subject to annual review.

The Committee is also aware that there may be a need for further future borrowing by the Council (e.g. in respect of future Bognor Regis regeneration requirements and the Council's plans to increase its housing stock). This situation will be monitored to ensure that the risks are known by Members prior to approval by Full Council.

As such, it remains the understanding of the Committee that the current 'going concern assumption' of the Council is not affected. However, all Members are aware from the Budget presentation to Full Council in March 2023 that a contribution from reserves was required for the Council's Budget for 2023/24 and that a deficit is expected in future years (unless additional income or costs savings are achieved). The Committee will continue to receive updates and reports on treasury management activity and will have an ongoing oversight of the Council's 'going concern' position.

(10) What does the Audit & Governance Committee consider to be the related parties that are significant to the Council and what is its understanding of the relationships and transactions with those related parties:

The Committee considers the Council's Annual Accounts which include information on Related Parties (defined as bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council) and any material transactions that have taken place during the financial year.

Apart from:-

- Central Government, which provides funding for the Council in the form of grants, etc. to which conditions may be attached and enacts legislation directing the Council in how it should act in certain of its relationships with residents (e.g. in respect of Council Tax, benefits payments, etc.)
- Other public bodies, which the Council is required to collect and submit precepts and levies for but has no controlling influence over,

the Committee is unaware of any parties or transactions of significance to the Council within the definition.

(11) Does the Audit & Governance Committee have concerns regarding relationships or transactions with related parties and, if so, what is the substance of those concerns:

The Committee has no concerns regarding relationships or transactions with related parties. (but understands a separate management response is to be provided by the Group Head of Finance covering this).

(12) Is the Audit & Governance Committee aware if the Council has entered into any significant unusual transaction? If so, please provide details:

The Committee is unaware of any such transaction (but again understands a separate management response is to be provided by the Group Head of Finance covering this).

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Walsh', written over a horizontal line.

Cllr Dr James Walsh,
Chair, Audit & Governance Committee

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Agenda Item 8

REPORT TO:	Audit and Governance Committee – 28 September 2023
SUBJECT:	Treasury Management – Quarter 1 report 2023-24
LEAD OFFICER:	Sian Southerton, Senior Accountant (Treasury)
LEAD MEMBER:	Cllr Dr 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 update report for Quarter 1 (Q1) 2023-24. This report summarises: <ul style="list-style-type: none">• Investment position• Borrowing position and• Prudential Indicators	
FINANCIAL SUMMARY: There are no direct financial implications arising from this report.	

1. PURPOSE OF REPORT

1.1. To note the Treasury Management activities for the first financial quarter ending 30th June 2023.

2. RECOMMENDATIONS

The Audit and Governance Committee is asked to recommend the following to Full Council:

2.1. note the quarter 1 treasury management report for 2023/24;

2.2. note the treasury activity for the quarter ended 30 June 2023, which has generated interest receipts of £460,918 (4.27%). Budget £1,540,000 (3.20%); and

2.3. note the quarter 1 actual prudential and treasury indicators for 2023/24 contained in the report.

3. EXECUTIVE SUMMARY

3.1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. The 2023/24 Treasury Management Strategy states this report will go to the Audit and Governance Committee in September. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.

3.2. During the first quarter to 30th June 2023, the Council complied with its legislative and regulatory requirements, including confirmation that the authorised limit was not breached.

4. DETAIL

4.1. This can be found in appendix 1.

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. As the CIPFA Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly, the only option available is to request that Full Council note 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 will 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:

- [Strategy Statement and Annual Investment Strategy 2023/24](#)

Arun District Council
Treasury Management Update Report (Q1) 2023/24

1. Introduction

- 1.1. The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management 2021 recommends that Members be updated on treasury management activities at least quarterly. The 2023/24 treasury management strategy states this report will go to the Audit and Governance Committee in September. This report, therefore, ensures this Council is implementing best practice in accordance with the Code.
- 1.2. The Council has also implemented the Department of Levelling Up, Housing and Communities (DLUHC) investment guidance in producing these regular reports.
- 1.3. The investment activity to date conforms to the approved strategy and the Council has had no liquidity difficulties. This report focuses on the 2023/24 financial period ending 30 June 2023 and is based on the data available at the time of writing.

2. Investment and Strategy review

- 2.1. The Treasury Management Strategy Statement (TMSS) for 2023/24, which includes the Annual Investment Strategy, was approved by the Council on **15 March 2023**. In accordance with the CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being (SLY):
 - Security of capital
 - Liquidity
 - Yield
- 2.2. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 2 years with high credit rated financial institutions to achieve the best yield possible but with SLY at the forefront.

2.3. A full list of investments held as at 30 June 2023 are shown in the table below:

Reference no.	Counterparty	Issue Date	Maturity Date	Principal	Current Interest Rate
842	First Abu Dhabi Bank	21/07/2022	21/07/2023	£1,000,000.00	2.800
868	DBS Bank Ltd	27/04/2023	27/07/2023	£1,000,000.00	3.010
840	Close Brothers Limited	10/08/2022	10/08/2023	£1,000,000.00	3.470
848	Santander UK Plc	25/08/2022	25/08/2023	£2,000,000.00	4.420
850	Standard Chartered Bank - Sustainable Depo	26/09/2022	26/09/2023	£1,000,000.00	5.250
851	Standard Chartered Bank - Sustainable Depo	28/09/2022	28/09/2023	£2,000,000.00	5.450
852	Goldman Sachs International	28/09/2022	28/09/2023	£1,000,000.00	5.250
854	Santander UK Plc	28/09/2022	28/09/2023	£2,000,000.00	4.350
875	Goldman Sachs International	14/06/2023	16/10/2023	£1,000,000.00	4.500
869	Close Brothers Limited	04/05/2023	06/11/2023	£1,000,000.00	4.450
870	DBS Bank Ltd	15/05/2023	15/11/2023	£1,000,000.00	4.530
858	NatWest Bank	23/11/2022	23/11/2023	£1,000,000.00	4.645
860	Development Bank of Singapore (DBS)	15/12/2022	15/12/2023	£1,000,000.00	5.000
861	Development Bank of Singapore (DBS)	22/12/2022	22/12/2023	£1,000,000.00	5.020
863	Standard Chartered Bank - Sustainable Depo	05/01/2023	05/01/2024	£1,000,000.00	4.650
867	Goldman Sachs International	27/04/2023	26/01/2024	£1,000,000.00	4.900
874	National Westminster Bank PLC (RFB)	14/06/2023	14/02/2024	£1,000,000.00	4.970
871	Goldman Sachs International	15/05/2023	05/03/2024	£2,000,000.00	5.030
873	Goldman Sachs International	07/06/2023	07/03/2024	£1,000,000.00	5.200
866	Close Brothers Limited	14/04/2023	17/04/2024	£4,000,000.00	5.300
872	Close Brothers Limited	19/05/2023	17/05/2024	£1,000,000.00	5.540
876	Nationwide Building Society	15/06/2023	14/06/2024	£1,000,000.00	5.120
865	Goldman Sachs International	05/01/2023	06/01/2025	£1,000,000.00	5.310
44447	Lloyds Bank			£6,588,000.00	4.160
100500	CCLA (Churches, Charities and LA's)			£880,000.00	4.7823
110000	Federated Investors LLP			£10,000.00	4.7285
99999	Fidelity Fund Management Ltd			£10,000.00	4.6725
120000	Aberdeen Standard			£4,000,000.00	4.8331
140000	CCLA (Churches, Charities and LA's)			£5,000,000.00	*4.44
140500	CCLA (Churches, Charities and LA's)			£2,000,000.00	*3.17
				£48,488,000.00	

* Factor at 30-6-23

2.4. The table below shows the £48m investment portfolio and percentage in each sector.

INVESTMENT PORTFOLIO	31.3.23 Actual £000	31.3.23 Actual %	30.6.23 Actual £000	30.6.23 Actual %
Treasury investments				
Banks	32,740	75%	35,588	74%
Building Societies - rated	0	0%	0	0%
Building Societies - unrated	2,000	4%	1,000	2%
Local authorities	0	0%	0	0%
Money Market Funds	2,190	5%	4,900	10%
Total managed in house	36,930	84%	41,488	86%
Property funds	5,000	11%	5,000	10%
Diversified funds	2,000	5%	2,000	4%
TOTAL TREASURY INVESTMENTS	43,930	100%	48,488	100%

2.5. Investment rates have improved dramatically during the first quarter of 2023/24 and are expected to improve further as Bank Rate continues to increase over the next few months.

2.6. Creditworthiness - There have been few changes to credit ratings over the quarter under review. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

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

2.8. Investment balances - The average level of funds available for investment purposes during the quarter was £43m. The level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme.

2.9. The table below shows the total useable reserves compared to the investment balances at 31 March 2023.

Usable Reserves at 31 March 2023	£m
Earmarked Reserves	20.793
Housing Revenue Account Balance	1.523
General Fund Revenue Balance	5.000
Usable Capital Receipts	1.704
Housing Major Repairs Reserve	3.884
Capital Grants Unapplied	1.673
Total	34.578
S106 / CIL	9.314
ADC acting as Agents for grants	1.476
Reserves + S106/CIL + Grants to repay	45.367
<i>Investments at 31-3-23</i>	<i>43.930</i>
<i>Lloyds Bank current account</i>	<i>0.573</i>
Investments & Bank at 31-3-23	44.503

2.10. Investment performance for quarter ended 30 June 2023

Benchmark	Benchmark Return	Budgeted Return	Council Performance	Investment Interest Earned
Average O/N Sonia	4.37%	3.20%	4.27%	£460,919

2.11. As illustrated, the authority is outperforming the budgeted interest return and is close to the benchmark rate. The Council's budgeted investment return for 2023/24 is £1,540,000 and performance for the year to date is above budget based on a straight line profile.

The estimated outturn is currently around £1.9m showing an over achievement of around £400k. This enhanced return is largely due to improved rates applied to investments.

2.12. The CCLA property fund continues to increase the returns the Council is achieving on its investments and currently £5M is invested in this fund achieving an average rate of return of approx. 4.45%, however the Capital value is down around 4.8% (at 30 June 2023). This is a long term investment and values will rise and fall over the years.

2.13. The Council had the following valuations at 30 June 2023:

- CCLA property fund - £4,760,679 (£5m invested)
- CCLA diversified fund - £1,882,984 (£2m invested)

This would have had an adverse impact of £356,337 on the Council's revenue budget if IFRS 9 was not in place.

2.14. IFRS 9 - following the consultation undertaken by the Department of Levelling Up, Housing and Communities [DLUHC], 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.

2.15. Approved limits - Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2023.

3. Amendments to 2023/24 Annual Investment Strategy

3.1. The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code").

3.2. The Annual Investment strategy (part of the 2023-24 TMSS), as approved by full Council on 15th March 2023, defines the Investment policy, creditworthiness policy and Country and sector limits.

3.3. This has had the following revisions as part of the Annual report taken to Audit & Governance committee on 25 July 2023 (if approved by Full Council on 8 November 2023).

3.4. Additions to the counterparty lending list in the way of:

- Handelsbanken Plc and
- Natwest Markets Plc (NRFB)

These 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.

4. Borrowing

4.1. No borrowing was undertaken during the quarter ended 30th June 2023.

4.2. The Council has no immediate plans to borrow externally for capital expenditure in the current financial year, although funding will need to be arranged for schemes recently approved, and we will look to borrowing internally for these in the first instance.

4.3. Currently Arun's only borrowing relates to the HRA Self-Financing settlement (£35.46m), also summarised in the table below:

<u>Lender</u>	<u>Principal</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Maturity</u>
PWLB	£8.870m		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			

- 4.4. Officers will continue to keep borrowing policy under review and use internal balances where possible to minimise borrowing costs.

5. Treasury and Prudential Indicators

- 5.1. As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following Treasury Management Prudential Indicators.

- 5.2. The borrowing activity is controlled by prudential indicators for net borrowing, the Capital Financing Requirement (CFR), and by the authorised limit which is summarised in the table below and in 5.6.

Prudential Indicators	31 March 2023 Actual £000	2023/24 Original Estimate £000	June 2023 Position £000
Capital Expenditure:			
Non - HRA	7,411	5,944	12,108
HRA	6,436	8,998	10,100
TOTAL	13,847	14,941	22,209
Capital Financing Requirement (CFR):			
Total opening CFR	48,089	49,810	52,858
Closing CFR			
Non - HRA	(19)	(314)	(71)
HRA	52,876	55,666	58,308
TOTAL	52,858	55,352	58,236
Annual change in CFR:			
Non – HRA	4,423	3,457	5,431
HRA	345	2,085	(52)
TOTAL	4,768	5,543	5,379
Ratio of financing costs to net revenue stream:			
Non - HRA	(5.45)%	(6.51)%	(8.33)%
HRA	16.60%	18.19%	18.75%
Unfinanced capital expenditure	2,088	7,083	8,440

- 5.3. 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

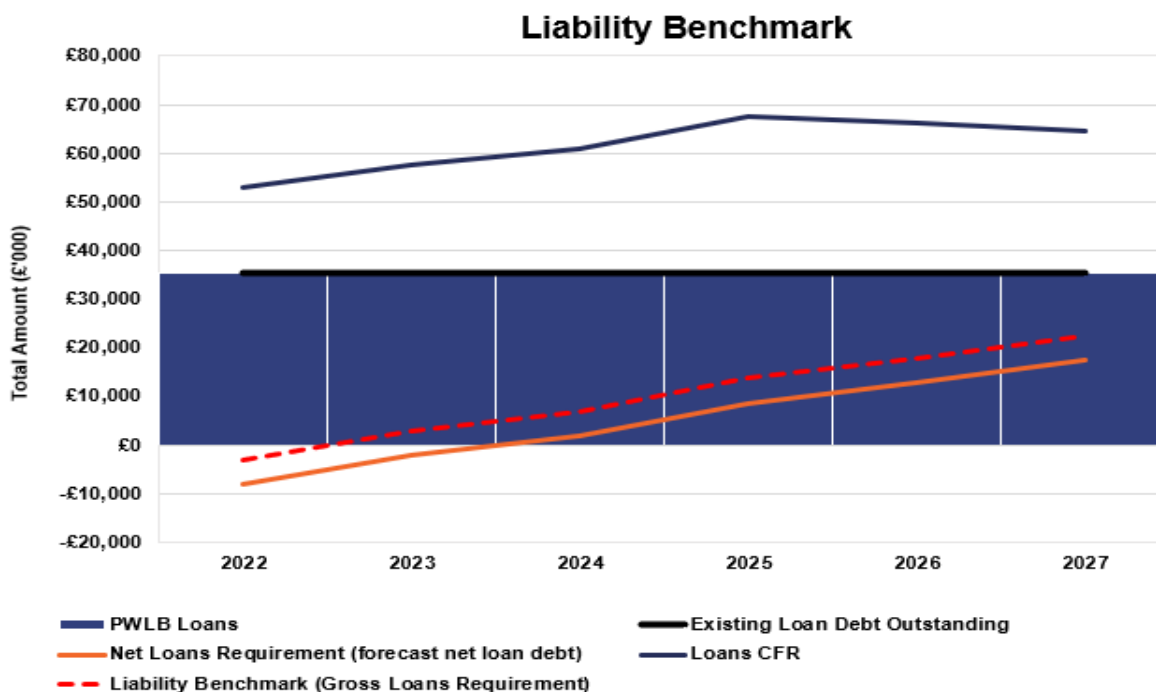
- If insufficient financing is available, or a decision is taken not to apply internal resources, the capital expenditure will give rise to a borrowing need

- 5.4. In the table in 5.2, all “unfinanced capital expenditure” results in a financing or borrowing need which will come from either internal or external borrowing.
- 5.5. The ratio of Net Financing Costs (NFC) to the Net Revenue Stream is estimated to be (8.33)% by the end of the financial year which is a change of (1.82)%. This is largely due to an increase in interest rates.
- 5.6. The treasury Indicators are shown in the tables below:

Treasury indicators	31 March 2023 Actual £000	2023/24 Original £000	June 2023 Position £000
Authorised Limit for External Debt:			
Borrowing	53,000	59,000	56,000
Other long term liabilities	5,000	4,000	7,000
TOTAL	58,000	63,000	63,000
Operational Boundary for External Debt:			
Borrowing	49,000	55,000	52,000
Other long term liabilities	1,000	4,000	7,000
TOTAL	50,000	59,000	59,000
Gross External Debt (Actual)			
Non – HRA	0	0	0
HRA	35,460	35,460	35,460
TOTAL	35,460	35,460	35,460
Remaining Authorised Limit for External debt:	22,540	27,540	27,540
Total Investments	43,930	44,000	48,488
Net borrowing (Net debt)	8,470	8,540	13,028

Maturity structure of fixed rate borrowing – upper & lower limits:	Actual at 30 June 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%

5.7. The Liability Benchmark compares the Council's actual existing borrowing against a Liability Benchmark that has been calculated to show the lowest risk level of borrowing. The Liability Benchmark is an important tool to help establish whether the Council is likely to be a long-term Borrower or long-term Investor in the future, and so shape its strategic focus and decision making.



An explanation of what this is showing is highlighted below:

- The Blue line (at the top) represents the Loans CFR. The gap between this and the liability benchmark line represents in part the treasury management investments held by the Council which are required for management of liquidity and cashflow.
- The Black line represents the existing load debt outstanding and tracks the existing debt balance.
- Comparing the Red dashed line (liability benchmark) with the black line / blue bars (current borrowing portfolio) shows how the existing portfolio matches the current commitments of the Council.

A liability benchmark below the current maturity portfolio, indicates no additional borrowing need, and signifies surplus cash in excess of liquidity requirements as in the Council's current position.

5.8. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ended 30th June 2023, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2023/24. The Group Head of Finance reports that no difficulties are envisaged for the current or future years in complying with these indicators.

5.9. All treasury management operations have also been conducted in full compliance with the Council's Treasury Management Practices.

6. Economic update – Link Group

- 6.1. Interest rates rose by a further 75bps over the quarter, taking Bank Rate from 4.25% to 5.00%;
- 6.2. The economy has weathered the drag from higher inflation better than was widely expected. The 0.2% m/m rise in real GDP in April, following March's 0.3% m/m contraction will further raise hopes that the economy will escape a recession this year.
- 6.3. The recent resilience of the economy has been due to a confluence of factors including the continued rebound in activity after the pandemic, households spending some of their pandemic savings, and the tight labour market and government handouts both supporting household incomes. That said, as government support fades, real household incomes are unlikely to grow rapidly. Furthermore, higher interest rates will mean GDP is likely to contract later this year.
- 6.4. Link Group's latest forecast, made on 26th June, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, against a backdrop of a stubbornly robust economy and a tight labour market.

Link Group Interest Rate View 26.06.23													
	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26
BANK RATE	5.00	5.50	5.50	5.50	5.25	4.75	4.25	3.75	3.25	2.75	2.75	2.50	2.50
3 month ave earnings	5.30	5.60	5.50	5.30	5.00	4.50	4.00	3.50	3.00	2.70	2.60	2.50	2.50
6 month ave earnings	5.80	5.90	5.70	5.50	5.10	4.60	4.00	3.50	3.00	2.70	2.60	2.60	2.60
12 month ave earnings	6.30	6.20	6.00	5.70	5.30	4.80	4.10	3.60	3.10	2.80	2.70	2.70	2.70
5 yr PWLB	5.50	5.60	5.30	5.10	4.80	4.50	4.20	3.90	3.60	3.40	3.30	3.30	3.20
10 yr PWLB	5.10	5.20	5.00	4.90	4.70	4.40	4.20	3.90	3.70	3.50	3.50	3.50	3.40
25 yr PWLB	5.30	5.40	5.20	5.10	4.90	4.70	4.50	4.20	4.00	3.90	3.80	3.80	3.70
50 yr PWLB	5.00	5.10	5.00	4.90	4.70	4.50	4.30	4.00	3.80	3.60	3.60	3.50	3.50

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Arun District Council

REPORT TO:	Audit and Governance Committee 28 September 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>	

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 on 25 July 2023.

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 July 2023, 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. High risks were last reviewed by the Corporate Management Team on 15 August. The high-risk Corporate Risk register entries are attached as Appendix 3 to this report.

4.8. Actions have been reviewed and updates are highlighted on the risk register entries- Appendix 3.

4.9. The Net Risk level score in respect of CRR10 relating to the Development Plan has reduced from a high risk to a medium risk. The Net Risk level score in respect of all other high risks remain the same.

4.10. Medium risks were last reviewed by the Corporate Management Team on 20 June (prior to the last Audit and Governance Committee) and therefore no changes apply.

4.11. There are currently no low risks (subject to 6- monthly review) on the Corporate Risk Register.

4.12. An additional medium risk (CRR18- Housing Benefit Subsidy 2023/24) has been identified since the previous report to the Audit and Governance Committee in July. This risk register entry is included in Appendix 3 to this report.

- 4.13. 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)

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](#)

Audit and Governance Committee report - 25 July 2023

[Arun District Council](#)

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

APPENDIX 3: CORPORATE RISK REGISTER SUMMARY

HIGH RISKS EXTRACT

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: 15 August 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)	8 (2x4)		↓	Karl Roberts/ Neil Crowther
CRR 11	Place	Major Projects	12 (3x4)	12 (3x4)		→	Karl Roberts/ Philippa Dart

ADDITIONAL RISK EXTRACT

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 18	Finance	Housing Benefit Subsidy	12 (3x4)	8 (2x4)	CMT Performance Board: 15 August 2023	ADDITIONAL RISK 15/08/2023	Tony Baden

APPENDIX 3: CORPORATE RISK REGISTER- HIGH RISK ENTRIES

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

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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>Officers have completed their work 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>Further work is currently being undertaken by the Housing and Finance departments to investigate other areas of spend within the HRA where it may be possible to identify savings and efficiencies. It is expected that a written report will be presented to CMT in September 2023.</p> <p>Budget monitoring.</p> <p>Review of Capitalisation Policy.</p> <p>Review of Borrowing Strategy.</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>

Contract Management.

Review of Repairs Contract.

Close adherence to rent arrears policy and procedures.
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
<p>16 (4x4)</p>	<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>	<p>12 (4x3)</p>	<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> <p>All of the above have to be considered in the context of the Councils current financial position and the need for in year savings in 23/24. Progress will be considered when a savings strategy is developed in the autumn of 23.</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. 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
<p style="text-align: center;">16</p> <p style="text-align: center;">(4x4)</p>	<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>Work has started around the procurement 'deep dive' and emission analysis for the 22/23 financial year. This works includes 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. As this is mandatory training this should be completed by mid-August 2023.</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. Cohorts and 3 and 4 have been booked in for the end of 2023 and early 2024.</p> <p>Arun become a Bronze certified Carbon Literate organisation in 2023, requirements to become Silver are being reviewed.</p>	<p style="text-align: center;">16</p> <p style="text-align: center;">(4x4)</p>	<p>Appointment of Climate Change and Sustainability officer to provide further support to the Council in reducing emissions. Job advert is currently live and interviews to take place mid-September. This position was previously filled but has become vacant.</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>Training opportunities for members to be reviewed and provided where possible. Members have been asked to express interest by end of August in Carbon Literacy training and the climate related e-learning has been advertised and made available for them to complete.</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. An officer report is being drafted to take to Policy and Finance Committee in October 2023 to showcase what this will be used for. Current target is to provide an external fund for non-profits to support them in their journey of sustainability. This has been copied from what Horsham are doing - Community Climate Fund Horsham District Council.</p>

Work has been completed around the energy audits of a selection of key buildings for the Council. These provide next steps on how to improve efficiency and drive down emission production. Building on from this funding for the LCSF phase 4 was successful and a heat decarbonisation plan is now underway for Arun Leisure Centre, using the energy audit for this to help inform this. Willmott Dixon have been appointed and enquires have been sent around support for application of the PSDF opening in Autumn 2023 for the leisure centre. If won, this will allow ALC to become net zero.

Continued connection with other D&Bs within West Sussex (and externally) to share ideas and support climate change related work.

Regular reporting of carbon reduction targets and actions to Committee

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.

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).

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.

Providing support for other national/ local initiatives e.g. waste recycling and the Sussex Kelp Project. A members brief event has been booked in for Mid-October to provide members (and interested officers) on an update on the Kelp restoration occurring off the South Coast.

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. 	8 (2x4)	<p>Political commitment must be sought and agreed on the back of these meetings. Full Council agreed to proceed with review of Local Plan 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	All	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 (extended until 31/12/23).</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. This has been suspended pending development of savings strategy.</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> <p>Funding secured from Brownfield Land Fund. Other external funding opportunities being explored.</p>

APPENDIX 3: CORPORATE RISK REGISTER- ADDITIONAL RISK

CRR Ref	DIRECTORATE OR SERVICE AREA	RISK AREA	RISKS IDENTIFIED	CAUSES	EFFECTS	RISK OWNER
CRR 18	Finance	Housing Benefit Subsidy 2023/24	Delayed audit of the housing benefit subsidy	<p>External audit resource shortages (this applies to other local authorities and is not unique to Arun).</p> <p>Delays in the procurement/ appointment process.</p>	<p>Reimbursement of the housing benefit subsidy is denied or delayed. (Total value of the subsidy is c.£35- £45m for 2023/24).</p> <p>Financial penalties or sanctions- potential for 1 month's subsidy to be held back (approx. £2.5m).</p> <p>Budget implications.</p> <p>Reputational damage.</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>Procurement advice from Hampshire County Council.</p> <p>Procurement process has commenced. Appointment of external auditor anticipated by 1st October 2023 (subject to expressions of interest).</p> <p>Liaise with the DWP to provide assurance that action is being taken to procure an auditor and complete the audit process as soon as possible.</p>	8 (2x4)	

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Arun District Council

REPORT TO:	Audit and Governance Committee 28 September 2023
SUBJECT:	Updated Risk Management Framework
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 Council’s Risk Management Framework is used to govern and guide the Council’s approach to risk management.</p> <p>The Risk Management Framework is an overriding document that will be applied corporately in the assessment of risks faced by the Council.</p>	
DIRECTORATE POLICY CONTEXT:	
<p>The Risk Management Framework will be applied by each directorate in the assessment of risks.</p>	
FINANCIAL SUMMARY:	
<p>There are no direct financial considerations in the adoption of the framework.</p>	

1. PURPOSE OF REPORT

- 1.1. The purpose of the report is to highlight any amendments to the Council’s Risk Management Framework resulting from the annual review.

2. RECOMMENDATIONS

- 2.1. Members of the Audit and Governance Committee are requested to consider and note the updated Risk Management Framework.

3. EXECUTIVE SUMMARY

- 3.1. The Council’s Risk Management Framework has been reviewed and updated to take account of changing legislation, government initiatives, best practice and experience gained within the Council.
- 3.2. This report highlights any amendments resulting from the review.

4. DETAIL

- 4.1. The Audit and Governance Committee has oversight responsibility for the Council's risk management arrangements. The Council's Risk Management Framework was adopted by the Committee in November 2022.
- 4.2. The Risk Management Framework is subject to review at least annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council.
- 4.3. The review identified that the current reviewing and reporting requirements of the framework are considered disproportionate to the risk levels. The current requirements have been revised as outlined below:
 - High risks will now be reviewed: as a minimum quarterly (previously monthly).
 - Medium risks will now be reviewed: as a minimum 6- monthly (previously quarterly).
 - Low risks will now be reviewed: as a minimum annually (previously 6-monthly).

The Audit and Governance Committee will continue to receive quarterly reports on the Corporate Risk Register.

- 4.4. Risk entries on the Corporate Risk Register will now be identified, owned, and reviewed by the Corporate Management Team and Group Heads.
- 4.5. The Council's Governance and Risk Group has now been disbanded, reference to this group has been removed from the framework. Periodic scrutiny of individual risk registers is now be captured as part of the reviewing and reporting process undertaken by the Corporate Management Team. The Council's Constitution will be updated accordingly to reflect this.
- 4.6. The updated Risk Management Framework is included as Appendix 1 to this report, changes including those outlined above are highlighted for ease of reference.

5. CONSULTATION

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

6. OPTIONS / ALTERNATIVES CONSIDERED

- 6.1. Not applicable.

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

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

8. RISK ASSESSMENT CONSIDERATIONS

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

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

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

10.HUMAN RESOURCES IMPACT

- 10.1. There are no direct Human Resources implications.

11.HEALTH & SAFETY IMPACT

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

12.PROPERTY & ESTATES IMPACT

- 12.1. There are no direct Property and Estates implications.

13.EQUALITIES IMPACT ASSESSMENT (EIA) / SOCIAL VALUE

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

14.CLIMATE CHANGE & ENVIRONMENTAL IMPACT/SOCIAL VALUE

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

15.CRIME AND DISORDER REDUCTION IMPACT

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

16.HUMAN RIGHTS IMPACT

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

17.FREEDOM OF INFORMATION / DATA PROTECTION CONSIDERATIONS

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

CONTACT OFFICER:

Name: Vicky Ashmore

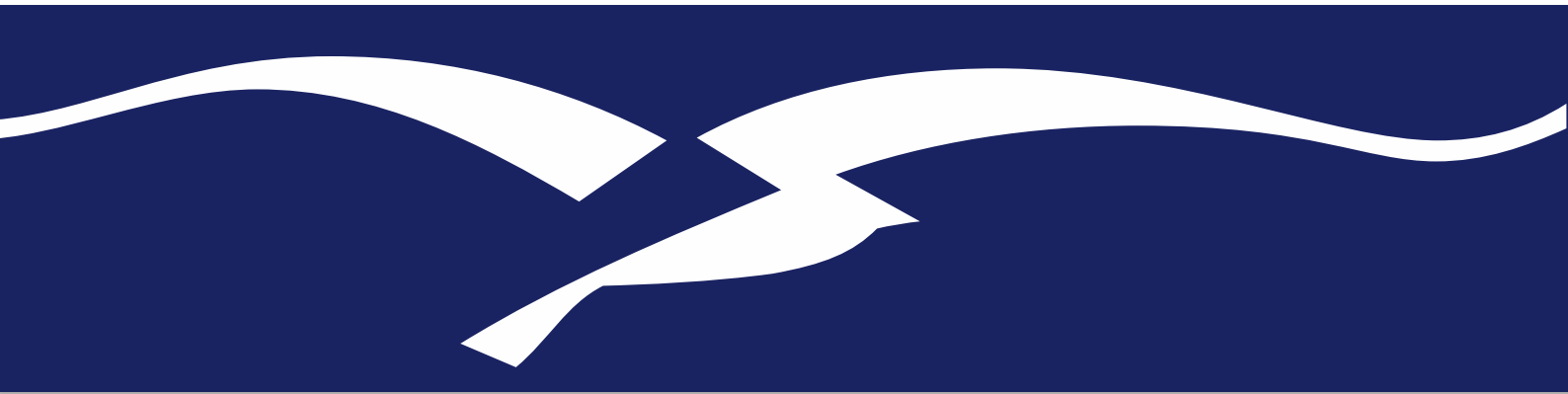
Job Title: Finance and Risk Manager

Contact Number: X37606

BACKGROUND DOCUMENTS:

Audit and Governance Committee report - 29 November 2022

[Arun District Council](#)



ARUN DISTRICT COUNCIL
RISK MANAGEMENT FRAMEWORK

Version 2

Version 1	May 2022
Version 2	August 2023
Version 3	
Version 4	



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Arun District Council

Risk Management Policy Statement

Context

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

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

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

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

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

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

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

The Council's Risk Management Objectives

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

How our objectives will be achieved

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

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

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

Risk Management Approach

1. Introduction

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

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

2. Definitions

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

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

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

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

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

3. Approach

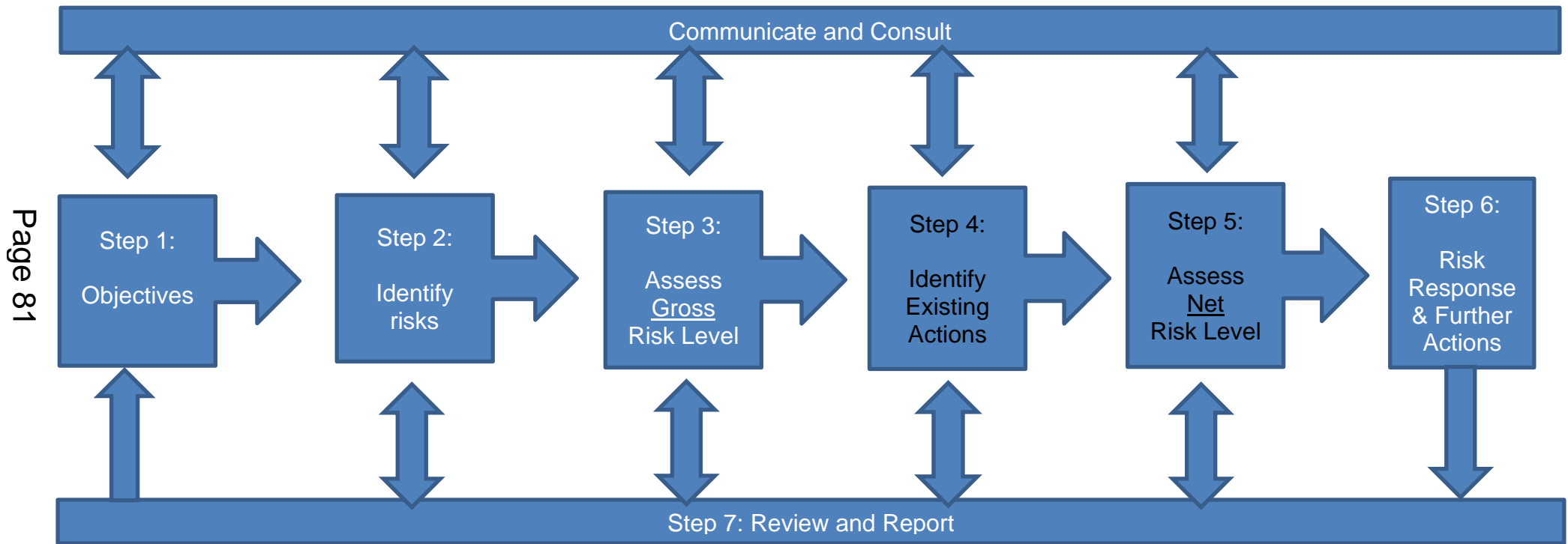
The Council is working towards a comprehensive and integrated approach to risk management where:

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

Risk Management Process

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

Diagram 1: Arun District Council's Risk Management Process



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

Step 1: Objectives

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

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

Step 2: Identify Risks

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

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

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

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

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

must also be detailed. Typical phrases used to do this are detailed in the table below.

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

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

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

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

Step 3: Assess Gross Risk Level

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

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

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

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

Diagram 2: Arun District Council's Risk Matrix

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

The Council considers gross risk to ensure that:

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

Step 4: Identify Existing Risk Actions

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

Step 5: Assess Net Risk Level

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

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

The Council considers the net risk to ensure that:

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

Step 6: Risk Response and Further Actions

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

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

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

These are described in more detail in Appendix 3.

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

Step 7: Review and Report

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

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

The Corporate Management Team Performance Board will review the Corporate Risk Register **in line with the Reviewing and Reporting Framework (Appendix 4)**. The Finance and Risk Manager will update the Corporate Risk Register accordingly.

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

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

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

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

4. Roles and Responsibilities

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

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

All Employees

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

All Members

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

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

Audit and Governance Committee

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

Corporate Management Team

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

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

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

Directors

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

Group Heads

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

Service Managers and Project Managers

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

Risk Owners

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

Action Owners

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

Partners

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

Internal Audit

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

Finance and Risk Manager

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

5. Embedding Risk Management

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

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

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

6. Culture

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

7. Training and Awareness

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

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

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

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

Appendix 1: Risk Identification Checklist

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

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

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

Appendix 2 – Measures of Likelihood and Impact

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

Likelihood Measures

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

Impact Measures

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

Appendix 3 – Risk Response Categories

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

Appendix 4 – Reviewing and Reporting Framework

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

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

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

Date of Meeting: 28 September 2023		
Subject	Lead Officer / Member	Comments
External Audit		
Response to E&Y on annual assurance letter regarding governance arrangements	Committee Chair	Letter to be sent to external audit
Internal Audit		
Progress Against the Audit Plan	Southern Internal Audit Partnership	
Treasury Management		
Treasury Management Interim Report	Senior Accountant (Treasury Management)	
Governance Framework		
Updated Risk Management Framework	Finance & Risk Manager	
Updates to Corporate Risk Register	Finance & Risk Manager	
Work Programme		
To agree the rolling work programme for 2023/24		

Date of Meeting: 30 November 2023		
Subject	Lead Officer / Member	Comments
External Audit		
Auditor's Annual Report	Ernst & Young	Covering the audit of the 2021/22 Accounts
Audit Planning Report	Ernst & Young	Covering the audit of the 2022/23 Accounts
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		
Updated Corporate Risk Register 2023/24	Finance & Risk Manager	

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

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	
Regulation of Investigatory Powers Act (RIPA) Policy and Guidance	Group Head of Law & Governance	
Annual Review Of The Partnerships Register	Group Head of Organisational Excellence	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	

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

Progress Against the Audit Plan	Southern Internal Audit Partnership	
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	
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

Date of Meeting: xx July 2024 (TBC)		
Subject	Lead Officer / Member	Comments
Statement of Accounts		
Draft Annual Governance Statement 2023/24	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 2023/24	Senior Accountant (Treasury Management)	Recommendations for approval by Full Council
Internal Audit		
Annual Internal Audit Report & Opinion 2023-2024	Southern Internal Audit Partnership	
Other Items		
Progress update on housing tenancy fraud	Neighbourhood Services Manager	Annual update as requested by the Committee
Counter-Fraud Report 2023/24	Group Head of Finance	TBC
Work Programme		

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

To agree the rolling work programme for 2024/25		
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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

Relevant policy reviews, updates, etc.