

Audit and Governance Committee

Members of the public are welcome to attend and listen to the discussion of items in the "open" part of the meeting. Please see notes at end of agenda concerning public rights to speak and ask questions.



The Audit and Governance meets in the Court Room of the Town Hall which is located on the ground floor. Entrance is via the main door or access ramp at the front of the Town Hall. Parking bays for blue badge holders are available in front of the Town Hall and in the car park at the rear of the Town Hall.



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MEMBERS: Councillor Swansborough (Chairman); Councillor Sabri (Deputy-Chairman); Councillors Choudhury, di Cara, Dow, Holt, Ballard and Taylor

NB: Members are invited to attend a briefing on covert surveillance prior to the committee. The briefing will be held at **5.15pm, Court Room**, Town Hall.

Agenda

- 1 Minutes of the meeting held on 21 September 2016 - Previously circulated.**
- 2 Apologies for absence.**

3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.

4 Questions by members of the public.

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 Polling Districts and Polling Places Review. (Pages 1 - 6)

Report of Senior Local Democracy Officer.

8 Devonshire Park Project - Risk Management Arrangements.

The Programme Manager for the Devonshire Park Redevelopment to deliver a presentation.

9 Internal Audit Report to 30th September 2016. (Pages 7 - 26)

Report of Internal Audit Manager.

10 Risk Management. (Pages 27 - 36)

Report of Internal Audit Manager.

11 Treasury Management Mid-Year Review. (Pages 37 - 44)

Report of Chief Finance Officer.

Inspection of Background Papers – Please see contact details listed in each report.

Councillor Right of Address - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

Public Right of Address – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at

the address listed below. The request may be made by letter, fax or e-mail. For further details on the rules about speaking at meetings please contact Local Democracy.

Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation). If a member has a DPI he/she may not make representations first.

Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

Local Democracy, 1 Grove Road, Eastbourne, BN21 4TW
Tel: (01323) 415021/5023 Minicom: (01323) 415111, Fax: (01323) 410322
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Website at www.eastbourne.gov.uk

For general Council enquiries, please telephone (01323) 410000 or E-mail: enquiries@eastbourne.gov.uk

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Agenda Item 7

Body: Audit and Governance Committee

Date: 30 November 2016

Subject: Polling districts and polling places review (part review of Ratton ward – polling district RNA)

Wards: Ratton and Hampden Park

Report of: Senior Local Democracy Officer

Purpose: To agree revised polling arrangements in respect of polling district RNA of Ratton ward as a consequence of the Local Government Boundary Commission for England’s final recommendation to transfer a small part of this district into Hampden Park ward.

Contact: David Robinson, Senior Local Democracy Officer
Tel: (01323) 415022 or internally on ext. 5022
Email: david.robinson@eastbourne.gov.uk

Tracey Pannett, Senior Electoral Services Officer
Tel. (01323) 415074 or internally on ext. 5074.
Email: tracey.pannett@eastbourne.gov.uk

Summary:

This report deals with a review of part of the current Ratton ward as a consequence of the Local Government Boundary Commission for England’s final recommendation to transfer a small part of this polling district to Hampden Park ward.

The council has a duty to undertake a full review at intervals of not less than 4 years and at all other occasions when a change is proposed.

The council is expected to ensure that all electors in the constituency have reasonable facilities for voting as are practicable in the circumstances and that so far as is reasonable and practicable the polling places are accessible to those who are disabled.

A 6 week consultation was held ending on 18 November 2016.

Following this review, the revised polling arrangements will be implemented in time for the forthcoming county council elections on 4 May 2017.

Recommendations:

(1) That the acting returning officer’s proposal in respect of polling district RNA (Ratton ward) be approved.

(2) That the senior electoral services officer, on behalf of the acting returning officer and electoral registration officer, be authorised to

implement the committee's decision in respect of the review.

1.0 Introduction

- 1.1 The council must regularly review the division of its area into polling districts and the places where electors are asked to vote. A full review of the whole borough must be undertaken at intervals of not less than 4 years and at all other occasions when a change is proposed.
- 1.2 The relevant legislation can be found in section 16 of the Electoral Administration Act 2006, the Representation of the People Act 1983 and the Review of Polling Districts and Polling Places (Parliamentary Elections) Regulations 2006. Guidance is also published by the Electoral Commission.
- 1.3 This matter is brought before the committee as decisions on matters in respect of polling district boundaries and polling places cannot be dealt with by a council's executive (i.e. the Cabinet) by virtue of The Local Authorities (Functions and Responsibilities) (England) Regulations 2000. This committee has delegated power to deal with minor reviews with full reviews being the responsibility of full council.
- 1.4 The council's last full review was carried out in 2014 and approved in November of that year.

2.0 Review process

- 2.1 As part of the review process the council must:
- Seek to ensure that all electors in the constituency have such reasonable facilities for voting as are practicable in the circumstances;
 - Seek to ensure that so far as is reasonable and practicable the polling places are accessible to those who are disabled, and
 - When considering or reviewing the designation of a polling place, have regard to the accessibility needs of disabled persons.
- 2.2 The consultation period for this full review ran for 6 weeks between 5 October and 18 November 2016. Public notice of the review was published and information about the review made available on the council's website. Any elector in the whole of the Eastbourne constituency (whether they live in the borough or not) was entitled to make representations.
- 2.3 The consultation document, together with map showing the polling district boundary, is available as a background document.
- 2.4 As well as being supplied on request, the consultation document was sent to the local member of parliament, borough and county councillors in the relevant wards and local political parties. It was also sent to the members of the Eastbourne Disability Group (DIG) as required under the regulations as persons having particular expertise in relation to access to premises or facilities for persons who have different forms of disability. The DIG is an umbrella group of local organisations that represents many of the disabled people living in Eastbourne.

3.0 The proposal and comments received

- 3.1 The Local Government Boundary Commission for England (LGBCE) has now published their final recommendations for changes to the borough ward and county division boundaries. Such reviews take place at periodic intervals with the objective of ensuring that ward/division electorates do not vary greatly from the average electorate for all wards/divisions. The commission's published reports for Eastbourne (and also East Sussex) can be viewed on their website (see list of background papers at end of report).
- 3.2 Draft orders – the legal document which brings into force our recommendations – have now been laid before parliament (as of 28 October). The draft orders are subject to the negative resolution procedure, which means that they will lie in both houses for 40 days. Subject to parliamentary scrutiny, the new electoral arrangements will come into force later this year and in time for the county elections due to be held on 3 May 2017 and for borough elections from May 2019. A report on the outcome of the review was submitted to full council on 16 November 2016 and council was made aware that this committee would deal with necessary changes to polling district and polling place arrangements.
- 3.3 The only change to be made is in respect of the boundary between Ratton and Hampden Park wards. An area of housing to the north-east of Hazelwood Avenue will be transferred into Hampden Park, as follows:
- Hazelwood Avenue (part) (odd nos. 33-49, 147-159)
 - Seven Sisters Road (part) (odd nos. 251-289)
 - St David's Close
 - St Martin's Road
 - St Paul's Close
 - Westminster Close
 - Jordan's Lane East (part) (odd and even nos. 50-72)

This area currently comprises some 290 electors of which 63 electors receive a postal vote.

- 3.4 This area will in future be designated as a separate polling district to be known as HPD. In due course this polling district will be combined with the adjoining Hampden Park polling district HPC. However, until borough elections in May 2019, it will need to be kept distinct as any borough by-election held prior to then will have to be conducted on the old ward boundary.
- 3.5 Councillor Pat Hearn (Hampden Park ward councillor) indicated support for the proposals when ward and county councillors were invited to comment in advance of the public consultation. Otherwise no representations or comments had been received in the course of the consultation.

4.0 Implementation, polling places and reasons

- 4.1 From the time the Local Government Boundary Commission's recommendations are implemented for the county council's electoral arrangements, and in time for the May 2017 East Sussex County Council elections, electors in the new polling district HPD will vote at Willingdon

Trees Community Centre, Holly Place, Eastbourne, BN22 0UT for all elections with the exception of borough council elections.

- 4.2 The new polling district (HPD) is too small and without any suitable polling place within its boundaries to justify having its own polling station. It is only being kept separate because the commission's recommendations are implemented at different times for the purposes of county and borough electoral area arrangements. Willingdon Trees Community Centre is located nearby and offers good facilities for voting.
- 4.3 For any borough council by-elections up to 2019 electors will continue vote at Oakwood Primary Academy, Magnolia Walk, Eastbourne, BN22 0SS. For the May 2019 borough council elections and thereafter electors will vote at Willingdon Trees Community Centre.
- 4.4 Following the decision formal notice will be given and correspondence and representations made, minutes and other details must be published.
- 4.5 It is an unavoidable outcome of the review that for the c. 290 electors living in the area to be moved into Hampden Park it will mean a change in the ward in which they are situated and in the polling station allocated to them. As such, we will communicate the changes clearly in advance of the 2017 county elections. Polling cards will also draw attention to the change of polling station venue.

5.0 Committee consideration

- 5.1 The committee is asked to consider the foregoing proposal and representations received and make a final decision. Reasons must be given (see para 3.8 above). In the event that the Acting Returning Officers recommendation is supported these are as set out above in para.4.2.

6.0 Challenge

- 6.1 The grounds under which the review outcome can be challenged are that the Council has failed to:
- meet the reasonable requirements of the electors in the constituency, or a body of them (i.e. the reasonable requirements of a particular area of the authority have not been satisfactorily met); or
 - take sufficient account of the accessibility to disabled persons of polling stations within a designated polling place.
- 6.2 The following may make representations to the Electoral Commission namely;
- not less than 30 registered electors in the constituency
 - any person who made representations to the council when the review was being undertaken (except the acting returning officer)
 - any person who is not an elector within the constituency who the Electoral Commission feel has sufficient interest in the accessibility of disabled persons;

Also the acting returning officer may make observations on any

representations made to the commission.

7.0 Legal implications/risk assessment

- 7.1 The council is under a legal duty keep their polling place arrangements under review at not less than 4-yearly intervals and to follow prescribed procedures when carrying out such reviews.

8.0 Policy and performance implications

- 8.1 This review helps meet the council's corporate plan objectives under the heading "thriving communities" for encouraging peoples' involvement in their neighbourhoods and the heading "sustainable performance" in ensuring a customer focus in the delivery of its services.
- 8.2 The Electoral Commission is empowered under section 9A of the Political Parties, Elections and Referendums Act 2000 to set out for local returning officers and electoral registration officers the performance standards to be achieved in the conduct of their duties. This review and the associated documentation will help demonstrate that Eastbourne Borough Council is meeting the required standard.

9.0 Financial and resourcing implications

- 9.1 Election costs are borne by the body holding the election. For parliamentary elections and referendums the government pays and East Sussex County Council pays for county elections. The foregoing proposals will not increase the number of venues or polling stations overall and there should therefore be no impact on staffing costs.

David Robinson
Senior Local Democracy Officer

Background papers:

- Consultation document - <http://www.eastbourne.gov.uk/about-the-council/consultations/polling-districts-and-places-part-review/>
- The Local Government Boundary Commission for England (LGBCE) final recommendations - <http://www.lgbce.org.uk/current-reviews/south-east/east-sussex>
- Report to full council 16 November 2016 - <http://democracy.eastbourne.gov.uk/ieListMeetings.aspx?Cid=126&Year=0>
- The East Sussex Electoral Changes Order 2016 (Draft) <http://www.legislation.gov.uk/ukdsi/2016/9780111150726/contents>
- The Eastbourne Electoral Changes Order 2016 (Draft) <http://www.legislation.gov.uk/ukdsi/2016/9780111150757/contents>

To inspect or obtain copies of background papers please refer to the contact officers listed above or access via the web-link above.

(dr/P:polling place review/audit and governance/16.11.30)

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Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	30 NOVEMBER 2016
Subject:	Internal Audit Report to 30 th September 2016
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the year 1 st April 2016 to 30 th September 2016.
Recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2016/17 was agreed by the Audit and Governance Committee in March 2016.

2.0 Review of work in the financial year 2016/17.

- 2.1 A list of all the audit reports issued in final from 1st April 2016 to 30th September 2016 is as follows:

NB. These are the Assurance Levels given at the time of the initial report and do not reflect findings at follow up.

Open Revenues	Performing Well
Debtors (Annual 2015/16)	Performing Excellently
Planning (process)	Performing Well
Housing Rents (Annual 2015/16)	Performing Well
Creditors (Annual 2015/16)	Performing Adequately
Rent and Deposit Loans	Performing Well
Homelessness	Performing Adequately
Access to Information	Performing Well
Economic Development	Performing Excellently

Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 Appendix A shows the work carried out against the annual plan to the end of September 2016. The following comments explain the main points to be noted from the table:

- Following the external auditor's qualification of the 2014/15 Housing Benefit final subsidy claim the DWP required further work to be undertaken in light of errors found due to the data migration between Northgate and Open Revenues.
- Right To Buy – there was a change in the Auditor carrying out this review. Therefore extra time was spent on the new Auditor familiarising themselves with the subject and the work that had already been carried out.
- Rent and Deposit Loans and Homelessness – research carried out by the Auditor into legislation in order to ensure a correct understanding.
- Leisure Trust – time was put aside to provide input into this review. However it has been carried out solely by the Head of Audit at Lewes.
- Box Office Computer System – this has been postponed until 17/18 as a new system is being purchased.

2.3 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Well", with any issues highlighted in the reviews which informed the assurance level given.

2.4 The committee is reminded that these are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed.

2.5 Where follow ups of reviews given an Inadequate assurance level show recommendations are not being addressed, the outstanding recommendations, and client comments from the report, have been listed at Appendix C. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.

2.6 Appendix C was reviewed by CMT. A follow up of Events carried out in October. This found that the reconciliation of beer tokens sold to cash taken

had been carried out. However the outstanding issues of raising purchase orders and goods received notes remained. Discussions with the member of staff who has been helping the section showed that she has been undertaking a lot of work and was responsible for the reconciliation of cash taken to beer tokens sold. She is very aware of the issue with purchase orders and goods received notes and is considering how to introduce a process that will address this issue.

The next follow up of Licences is not due to take place until November.

3.0 Corporate Fraud

- 3.1. A review has been undertaken of Council Tax Reduction (CTR) cases. In cases where only CTR has been claimed these have been checked to see if they are still eligible and correct. It was found that many required updating making this a successful and worthwhile piece of work
- 3.2 The next round of the National Fraud Initiative (NFI) is underway and datasets have been collated and uploaded onto the website. These will be matched by the NFI and reports will be released at a later date.
- 3.3 Work has been continuing on checking all Right To Buy applications with a view to check eligibility and ensure that money laundering is not taking place. There is also work ongoing on referrals made to the section on tenancy, housing and homelessness application forms.
- 3.4. The work of the Single Point of Contact (SPOC) between Lewes and the DWP has now been taken over by Eastbourne as part of the move toward shared service.
- 3.5 Appendix D shows the work of the Corporate Fraud team across the year.

4.0 Shared Service with Lewes District Council

- 4.1 Work is commencing bring the Audit and Fraud teams in Eastbourne and Lewes together. Consideration is being given to the structure of the teams as well as various policies, forms and templates to arrive at one method of working across the two authorities.
- 4.2 Updates will be presented to the committee as the work progresses.

5.0 East Sussex Counter Fraud Hub

- 5.1. Money was used from the funding obtained by the Hub to arrange a press launch. Using PRG Marketing Communications a press release was written and sent out to various newspapers, radio and tv stations. Staff and Members of relevant sections in the participating authorities were invited to join a photoshoot in Seaford. Although no journalists attended a freelance photographer did take shots of those attending hold a banner displaying the Freephone number. The story was picked up by the Eastbourne Herald, Sussex Express and Meridian.



6.0 Consultation

6.1 Respective Service Managers and Directors as appropriate.

7.0 Resource Implications

7.1 Financial – Delivered within the approved budget for Internal Audit

7.2 Staffing – None directly as a result of this report.

8.0 Other Implications

8.1 None

9.0 Summary of Options

9.1 None

10.0 Recommendation

10.1 That the information in this report be noted and members identify any further information requirements.

Jackie Humphrey
Internal Audit Manager

Background Papers:

None

			Planned days	Actual days	Reason for Variance
ANNUAL REVIEWS	Benefits	Governance	15	0.5	15/16 work
	Cash and Bank	Governance	10		
	Council Tax	Governance	10		
	Creditors	Governance	15	2.6	15/16 work
	Debtors	Governance	15	0.7	15/16 work
	Housing Rents	Governance	15	3.2	15/16 work
	Main Accounting	Governance	10	0.1	15/16 work
	NNDR	Governance	10		
	Payroll	Governance	10	0.1	15/16 work
	Treasury Management	Governance	10		
	IT	Governance	4		
	Theatres Reconciliation	Governance	5		
	Claims work		100	71.7	15/16 extra work requested
			229	78.9	
Page 11	Contingency		40		
	Special Investigations/advice		40	14.4	
	Follow ups re audits carried out in previous year		30	29.7	
				110	44.1
CARRY FORWARDS FROM 15/16 PLAN	Right to Buy	Operational	10	15.3	Completed - changed auditor
	IT Contract	IT	10	5.6	Ongoing
	Change Controls	IT	5	5.1	Ongoing
	Performance Management	Operational	10	2.8	Ongoing
			35	28.8	
REQUESTS	Prevent and Detect	Joint Lewes	5		
	Leisure Trust	Joint Lewes	5	-	Carried out by Lewes Head of Audit
				10	0
HIGH RISK	Buildings H & S (asbestos, legionella, gas)	Operational	10	5.9	Ongoing
	VAT	Operational	10	1.2	
				20	5.9

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			Planned	Actual	Reason for Variance
			days	days	
MEDIUM RISK REVIEWS	Private Housing Grants	Operational	10		
	Rent and Deposit Loans	Operational	10	15.2	Completed - researching legislation
	Planning Process	Operational	10	11	Completed
	Engineering	Operational	10		
	Homelessness/Temporary Accommodation	Operational	10	17.8	Completed - researching legislation
	Box Office Computer System	IT	10	1.5	Postponed to 17/18 as getting a new computer system
	Access to Information	Operational	15	15.1	Completed
	Security of Data Movement	IT	5	4	Ongoing
	Economic Development	Operational	8	8.2	Completed
Capital Programme	Operational	10	9.9	Draft	
			98	82.7	
LOW RISK	Car Loans and Leasing	Operational	10	10	Draft
	Internet/Intranet/Phone payments and PCIDSS	IT/Operational	10	3.4	Ongoing
			20	10	
PLAN TOTAL			522	250.4	

APPENDIX B**Reasons for original assurance levels given (below Well)**

N.B. The issues noted here may have been addressed since the original report was issued.

Quarter 2

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Homelessness/Temporary Accommodation	Adequate	<ul style="list-style-type: none"> • Homelessness Strategy has not been reviewed since being published in 2008 • Incorrect data was input into a return on Homelessness 	Due November

Previously reported

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Creditors (Annual 15-16)	Adequate	<ul style="list-style-type: none"> • Payments over £25k were not always checked promptly by a senior officer • Purchase order and Goods Received Notes not being raised in a timely manner. 	Annual audits not subject to follow ups

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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	QUARTER ONE				QUARTER TWO				QUARTER THREE				QUARTER FOUR				YEAR TOTAL				
	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	Cases	Income	Savings	Cost of Corp Fraud	
NATIONAL FRAUD INITIATIVE																					
Number of cases open	55																55				
Number of cleared cases	13																13				
Number of errors identified	10																10				
Number of frauds identified	0																0				
Overpayments identified			8,636.68																8,636.68		
HOUSING BENEFIT MATCHING SERVICE																					
Number of open matches	0																0				
Number of closed matches	118																118				
Overpayments identified			12,651.85																12,651.85		
Weekly incorrect benefit identified			26,790.72																26,790.72		
OTHER INVESTIGATIONS																					
Number of open investigations	37																37				
Number of closed investigations	46																46				
Overpayments identified			21,504.88																21,504.88		
Weekly incorrect benefit identified			15,473.60																15,473.60		
Removal of SPD saving			961.17																961.17		
Increase in Council Tax liability			2,002.03																2,002.03		
Recovery of Council property																			0.00		
Income from court costs																			0.00		
Income from Adpen collection																			0.00		
TOTALS	279	£0.00	£88,020.93	£30,857.02	0	£0.00	£0.00	£0.00	0	£0.00	£0.00	£0.00	0	£0.00	£0.00	£0.00	279	£0.00	£88,020.93	£30,857.02	

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	Full Year			FULL YEAR		
	Forecasted performance 15/16 (£,000)	Actual performance First three quarters of year (£,000)	Variance (£,000)	Forecasted performance 15/16 (£,000)	Actual Performance (£,000)	Variance (£,000)
Reduction in procurement	500	513	13	500	513	13
Social housing tenancy fraud	500	792	292	500	792	292
Right to Buy fraud	75	78	3	75	78	3
CTRS fraud	50	60	10	50	60	10
CT discount fraud	100	37	-63	100	37	-63
NNDR fraud	50	17	-33	50	17	-33
Grant fraud	5	0	-5	5	0	-5
Blue Badge fraud	10	267	257	10	267	257
Direct Payments	0	0	0	0	0	0
	1290	1,764	474	1290	1,764	474
Other work not forecast						
Housing Benefit	0	198	198	0	198	198
Employment fraud	0	1.5	1.5	0	1.5	1.5
Rental recovery	0	10	10	0	10	10
	0	210	209.5	0	210	210
TOTAL	1290	1,974	683.5	1290	1,974	684

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Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	30 th September 2016
Subject:	Risk Management
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a report on the updating of the Strategic Risk Register and changes made to it.
Recommendation(s):	To consider and agree the amended Strategic Risk Register.
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The terms of reference for the Audit and Governance Committee include the following: Review the effectiveness of the Council's arrangements for identifying and managing risks, internal control environment and corporate governance arrangements.
- 1.2 It has been agreed that the Strategic Risk Register need only be reported to Committee when there are any changes made.

2.0 Quarterly review of Strategic Risk Register

- 2.1. When the Strategic Risk Register was considered by the Corporate Management Team in September it was agreed that this quarter they would discuss SR_001 – No political continuity/consensus with regard to organisational objectives. This was with a view to the differing political landscapes at Eastbourne and Lewes.
- 2.2. The Strategic Risk Register was taken to Corporate Management Team on 1st November it was agreed that there was increased activity with the Joint Transformation Programme with boundaries being pushed.
- 2.3. It was therefore agreed that the likelihood score should be raised from a 1 to a 2 and the impact from a 2 to a 3.
- 2.4. This risk will be monitored as the Joint Transformation Programme progresses.
- 2.5. The updated Strategic Risk Register is appended to this report.

3.0 Consultation

3.1 Corporate Management Team.

4.0 Resource Implications

4.1 Financial – Delivered within the approved budget for Internal Audit

4.2 Staffing – None directly as a result of this report, staff are engaged in risk matters on an ongoing basis.

5.0 Other Implications

5.1 None

6.0 Recommendations

6.1 To consider and agree the amended Strategic Risk Register.

Jackie Humphrey
Internal Audit Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

None

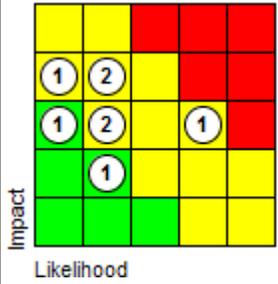
STRATEGIC RISK REGISTER

November 2016



Code & Title	SR_000 Strategic Risk Register
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Current Risk Matrix



LIKELIHOODIMPACT
 1 - Unlikely 1 - Minor
 2 - Possible 2 - Moderate
 3 - Likely 3 - Significant
 4 - Highly Likely 4 - Major
 5 - Almost Certain 5 - Critical

The numbers relate to the amount of risks currently positioned in each box.

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium Term Financial Strategy unfit for purpose.	4	4	16	<p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p>2. Annual review of corporate plan and Medium Term Financial Strategy</p> <p>3. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p>	Jackie Humphrey	2	3	6	Amber	07-Feb-2017
SR_002	Changes to the economic environment makes the Council economically less sustainable	<p>1. Economic development of the town suffers.</p> <p>2. Council objectives cannot be met.</p>	4	4	16	<p>1. Robust Medium Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro economic environment triennially.</p> <p>2. Creating an organisational architecture through the Joint Transformation Programme that can respond to changes in the environment.</p>	Jackie Humphrey	4	3	12	Amber	07-Feb-2017
SR_003	Unforeseen socio-economic and/or demographic shifts creating	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p>	2	4	8	1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Local Futures Toolkit/data	Jackie Humphrey	2	3	6	Amber	01-Feb-2017

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	significant changes of demands and expectations.	3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud.				modelling; East Sussex in Figures data modelling). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)						
SR_004	The employment market provides unsustainable employment base for the needs of the organisation	Employment market unable to fulfil recruitment and retention requirements of the Council resulting in a decline in performance standards and an increase in service costs.	4	4	16	1. Joint Transformation programme to increase non-financial attractiveness of EBC to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. 3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.	Jackie Humphrey	2	2	4	Green	01-Feb-2017
SR_005	Not being able to sustain a culture that supports organisational objectives and future	1. Decline in performance. 2. Higher turnover of staff.	4	4	16	1. Deliver a fit for purpose organisational culture through Joint Transformation programme. 2. Continue to develop our	Jackie Humphrey	2	4	8	Amber	01-Feb-2017

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	development.	3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud.				performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff.						
SR_006	Council prevented from delivering services for a prolonged period of time.	1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people	3	5	15	1. Regularly reviewed and tested Business Continuity Plans. 2. Regularly reviewed and tested Disaster Recovery Plan. 3. Joint Transformation programme has created a more flexible, less locationally dependent service architecture. 4. Adoption of best practice IT and Asset Management policies and procedures.	Jackie Humphrey	2	4	8	Amber	01-Feb-2017
SR_007	Council materially impacted by the medium to long term effects of	1. Service profile of the Council changes materially as a result of the impact of the event.	3	5	15	1. Ongoing and robust risk profiling of local area (demographic and geographic).	Jackie Humphrey	1	3	3	Green	01-Feb-2017

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	an event under the Civil Contingencies Act	2. Cost profile of the Council changes materially as a result of the impact of the event.				2. Review budget and reserves in light of risk profile. 3. Working in partnership with other public bodies.						
SR_008	Failure to meet regulatory or legal requirements	1. Credibility of the Council is negatively impacted. 2. Deterioration of financial position as a result of regulatory activity/penalties. 3. Deterioration of service performance as a result of regulatory activity/penalties. 4. Increased probability of prosecutions and compensation claims as a result of inadequate management of Health and Safety duties. 5. Possibility of fraud and bribery.	3	4	12	1. Developing, maintaining and monitoring robust governance framework for the Council. 2. Building relationships with regulatory bodies. 3. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 4. Take forward the recommendations of the CIPFA Asset Management report to ensure we meet regulatory/legal requirements regarding the management of property. 5. Ensure there is full understanding the impact of new legislation (e.g. Localism Act).	Jackie Humphrey	1	4	4	Amber	01-Feb-2017

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>6. Ensure compliance with legislation such as Data Protection and Safeguarding.</p> <p>7. Entering into contracts etc. without having adequate finance in place.</p>				6. All managers are required to abide by the Council's procurement rules.						

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BODY: **AUDIT & GOVERNANCE COMMITTEE**
DATE: **30 November 2016**
SUBJECT: **Treasury Management Mid-year Review Report**
REPORT OF: **Chief Finance Officer**

Ward(s): All

Purpose: To provide Members with a mid year review of treasury management activity.

Contact: Janet Martin, Senior Accountant
Telephone Number 01323 415983.

Recommendations: Members are asked to note the contents of this report.

1.0 Introduction

- 1.1 Treasury Management is the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management was adopted by Cabinet on 3 February 2016 and requires regular reports to this committee on the Treasury Management activities undertaken.
- 1.3 This mid year report covers the following:
- An economic update for the first six months of 2016/17;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators);
 - A review of the Council's investment portfolio for 2016/17;
 - A review of the Council's borrowing strategy for 2016/17;
 - A review of any debt rescheduling undertaken during 2016/17;
 - A review of compliance with Treasury and Prudential Limits for 2016/17.

2.0 Economic Update

- 2.1 During most of 2015, the economy faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The

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

The Bank of England meeting on August 4th addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%. The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.

The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI has started rising during 2016 stoking core inflationary price pressures within the UK economy.

2.2 Capita's Interest rate forecast as at 15 November is shown in the table below.

	NOW	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
BANK RATE	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.75	0.75
3 month LIBID	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.40	0.50	0.60	0.70	0.80	0.90
6 month LIBID	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.50	0.60	0.70	0.80	0.90	1.00
12 month LIBID	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.80	0.80	0.90	1.00	1.10	1.20	1.30	1.40
5 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.70
25 yr PWLB	3.00	2.90	2.90	2.90	2.90	3.00	3.00	3.00	3.10	3.10	3.20	3.20	3.30	3.30	3.40
50 yr PWLB	2.70	2.70	2.70	2.70	2.70	2.80	2.80	2.80	2.90	2.90	3.00	3.00	3.10	3.10	3.20

Capita Asset Services undertook a review of its interest rate forecasts after the US Elections. The above forecast shows Base Rate is predicted to remain at 0.25% for some time with a first increase in June 2019, to 0.50%, and then further increase to 0.75% at the end of 2019. Mark Carney, Governor of the Bank of England, has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The Monetary Policy Committee (MPC) is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and could well turn negative when inflation rises during the next two years to exceed average pay increases.

3.0 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2016/17 was approved by Cabinet on 3 February 2016. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the Council's investment priorities as follows:

- Security of capital
- Liquidity.

There are no policy changes to the TMSS.

- 3.2 The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.
- 3.3 There is still uncertainty and volatility in the financial and banking market globally. In this context, it is considered that the strategy approved on 3 February 2016 is still fit for purpose in the current economic climate.

4.0 The Council's Capital Position (Prudential Indicators)

4.1 Prudential Indicator for Capital Expenditure

The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	2016/17 Original Estimate £000	Position as at 30.9.16 £000	2016/17 Revised Estimate £000
General Fund	12,822	3,817	27,325
HRA	7,712	1,232	10,679
Total	20,534	5,049	38,004

4.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2016/17 Original Estimate £000	2016/17 Revised Estimate £000
Total spend	20,534	38,004
Financed by:		
Capital receipts	4,018	8,949
Capital grants	8,930	9,859
Capital reserves	275	7,177
Revenue	4,112	720
Total financing	17,335	26,705
Borrowing need	3,199	11,299

The increase in the revised estimated capital spend in 2016/17 is mainly due to:

- Re-profiling of previously approved schemes (£6.9m);

- New schemes approved relating to Joint Transformation Project (JTP) Eastbourne Housing Investment Co Ltd loan, Fishermen’s Green, Devonshire Collective (6.6m);
- Additional grant funding for DFGs and Coastal Protection (£1.1m)
- Changes to the HEDP schemes (£2.9m)

4.3 **Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary.**

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

	2016/17 Original Estimate £m	2016/17 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	34.9	42.1
CFR – housing	43.1	42.7
Total CFR	78.0	84.8
Net movement in CFR	1.9	9.7
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	77.2	
Serco Paisa Loans	0.8	
Total debt 31 March	78.0	

The revised estimate has been increased from the original forecast Capital Financing Requirement due to the increased borrowing for JTP, EHIC Loan, Fishermen’s Green and changes to the Housing Development schemes.

4.4 **Limits to Borrowing Activity**

One key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2016/17 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2016/17 Original Estimate £m	Position As at 30.9.16 £m	2016/17 Revised Estimate £m
Gross borrowing	55.2	62.1	62.1
Serco Paisa Loans	0.8	0.9	0.8
Less investments	-	(10.0)	-
Net borrowing	56.0	53.0	62.9
CFR (year end position)	78.0	78.0	84.8

No difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2016/17 Original Indicator	Current Position
Borrowing	92.2	62.1
Other long term liabilities	0.8	0.9
Total	93.0	63.0

5.0 Investment Portfolio 2016/17

- 5.1 Investment rates available in the market continue at a historical low point. The average level of temporary funds available for investment purposes in the first six months of 2016/17 was £12.1m arising from the timing of precept payments, receipt of grants and progress on the capital programme.
- 5.2 A full list of investments held as at 30 September 2016 is shown in the table below. All investments are with British Banks and Building Societies:

Counterparty	Term	£000	Rate of Return %
Santander	On Call	5,000	0.55
Nationwide BS	Fixed Term 10/6-9/12	2,000	0.71
Nationwide BS	Fixed Term 1/7-30/12	1,000	0.57
Tameside MBC	Fixed Term 26/8-24/11	2,000	0.25
Total		10,000	

The above figures exclude the balance held on the Council's current accounts with Lloyds Bank of £4.378,000 at a rate of 0.15%

Approved limits within the Annual Investment Strategy were not breached during the first six months of 2016/17.

5.3 Investment performance against benchmark was as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earnings
7 day	0.28%	0.53%	£32,300

5.4 The authority outperformed the benchmark by 0.25%. The budgeted investment return for 2016/17 is £50,000. Performance for the year to date is above target, but the second half of the year will see a reduction in interest income as temporary investments are utilised in place of borrowing. The continuous use of internal balances is in line with the Council's strategy and reduces the amount of interest paid on loans.

5.5 **Investment Counterparty criteria**

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

6.0 **Borrowing**

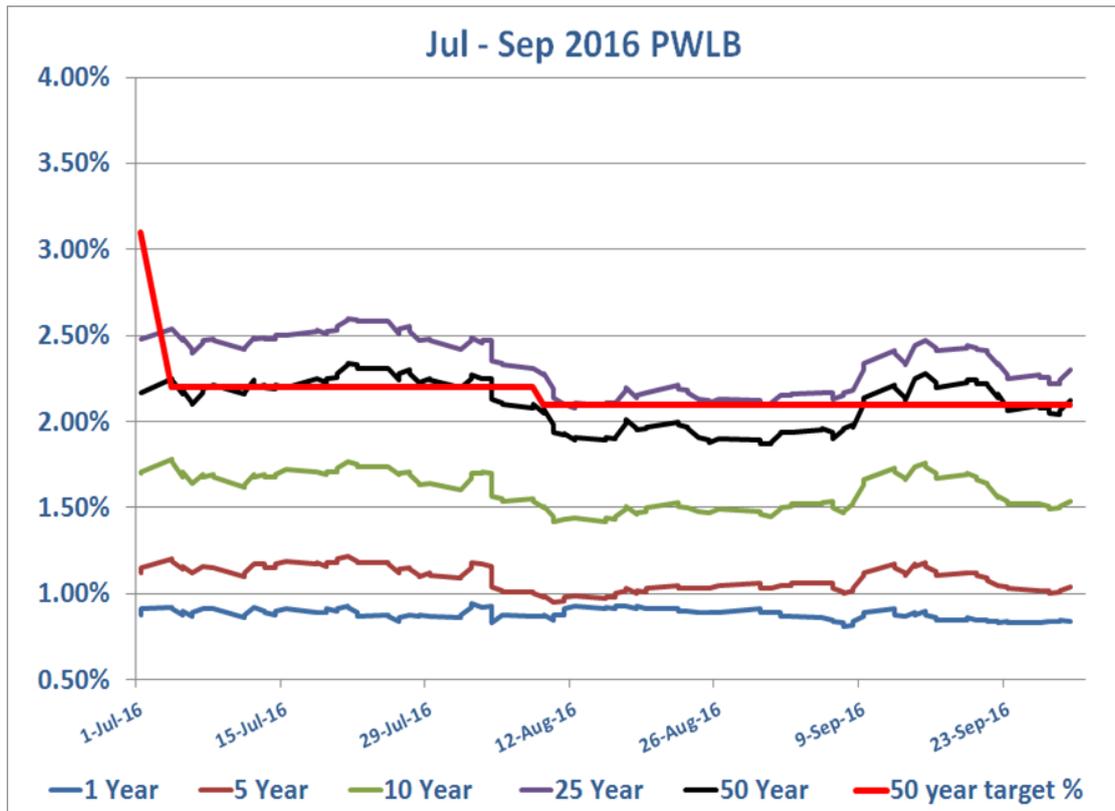
6.1 The following new loans were drawn down:

Lender	Amount £m	Interest Rate %	Start Date	Repayment Date
PWLB	2.0	2.87	07-Apr-16	24-Mar-66
PWLB	2.0	2.86	16-May-16	24-Mar-63
PWLB	2.0	2.78	03-Jun-16	24-Sep-60
PWLB	2.0	2.68	10-Jun-16	24-Mar-64
PWLB	2.0	2.49	20-Jun-16	24-Mar-59
PWLB	2.0	1.92	15-Aug-16	24-Sep-59
Total	12.0			

No loans were repaid during the during the first 6 months of the year.

6.2 The Council's revised estimated capital financing requirement (CFR) for 2016/17 is £84.8m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table above at 4.4 shows the Council has net borrowings of £63.0m and has utilised £25.0m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

6.3 The graph below shows the movement in PWLB rates for July to September 2016.



7.0 Debt Rescheduling

7.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2016/17.

8.0 Compliance with Treasury and Prudential Limits

8.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved TMSS.

8.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

9.0 Consultation

9.1 None.

10.0 Resource Implications

10.1 None

Janet Martin
Senior Accountant

Background Papers:

The Background Papers used in compiling this report were as follows:

- CIPFA Treasury Management in the Public Services code of Practice (the Code)
- TMSS Policy
- Annual Investment Strategy

To inspect or obtain copies of background papers please refer to the contact officer listed above.