

**Audit and Standards
Committee
26 July 2021**



Time and venue:

10:00am in the Ditchling & Telscombe Rooms, Southover House, Lewes, BN7 1AB

Note: This meeting is a public meeting. The number of public seats, however, are limited and need to be carefully managed to ensure that the meeting is Covid-secure. For this reason, we would like to ask that anyone intending to attend as a member of the public, contact Democratic Services in advance by email: committees@lewes-eastbourne.gov.uk or phone: 01273 471600. Anyone attending the meeting will be requested to check in at the venue and to wear a face covering.

Membership:

**Councillor Julian Peterson (Chair); Councillors Stephen Gauntlett (Vice-Chair)
Christine Brett, Phil Davis, Isabelle Linington, Christine Robinson and Adrian Ross**

Quorum: 4

Published: Thursday, 15 July 2021

Agenda

1 Minutes (Pages 5 - 12)

To confirm and sign the minutes of the previous meeting held remotely (via Microsoft Teams) on 8 March 2021 (attached herewith).

2 Apologies for absence/declaration of substitute members

3 Declarations of interest

Disclosure by councillors of personal interests in matters on the agenda, the nature of any interest and whether the councillor regards the interest as prejudicial under the terms of the Code of Conduct.

4 Urgent items

Items not on the agenda which the Chair of the meeting is of the opinion should be considered as a matter of urgency by reason of special circumstances as defined in Section 100B(4)(b) of the Local Government Act 1972.

5 Written questions from councillors

To deal with written questions from councillors pursuant to Council Procedure Rule 12.3 (page D8 of the Constitution).

- 6 Amendments to ethical standards governance (Pages 13 - 76)**
Report of Lewes District Monitoring Officer
- 7 External Audit of the 2018/19 Statement of Accounts**
Verbal update by Deloitte and Lewes District Council Officers
- 8 Treasury Management Annual Report 2020/21 and latest TM Monitoring (Pages 77 - 108)**
Report of Chief Finance Officer
- 9 Redmond Review update and MHCLG External Audit Consultations (Pages 109 - 112)**
Report of Chief Finance Officer
- 10 Environmental, Social, and Governance Investments (Pages 113 - 116)**
Report of Chief Finance Officer
- 11 Internal Audit and Counter Fraud Report for the financial year 2020-2021 (Pages 117 - 134)**
Report of Chief Internal Auditor
- 12 Strategic Risk Register Quarterly Review (Pages 135 - 146)**
Report of Chief Internal Auditor
- 13 Annual Governance Statement (Pages 147 - 172)**
Report of Chief Internal Auditor
- 14 Date of next meeting**

To note that the next meeting of the Audit and Standards Committee is scheduled to be held on Monday, 27 September 2021 in the Ditchling and Telscombe Rooms, Southover House, Lewes, BN7 1AB, commencing at 10:00am.

Information for the public

Accessibility:

Please note that the venue for this meeting is wheelchair accessible and has an induction loop to help people who are hearing impaired. This agenda and accompanying reports are published on the Council's website in PDF format which means you can use the "read out loud" facility of Adobe Acrobat Reader.

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Public participation:

Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Information for councillors

Disclosure of interests:

Members should declare their interest in a matter at the beginning of the meeting.

In the case of a disclosable pecuniary interest (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).

Councillor right of address:

A member of the Council may ask the Chair of a committee or sub-committee a question on any matter in relation to which the Council has powers or duties or which affect the District and which falls within the terms of reference of that Committee or Sub-Committee.

A member must give notice of the question to the Head of Democratic Services in writing or by electronic mail no later than close of business on the fourth working day before the meeting at which the question is to be asked.

Other participation:

Please contact Democratic Services (see end of agenda) for the relevant deadlines for registering to speak on a matter which is listed on the agenda if applicable.

Democratic Services

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Audit and Standards Committee

Minutes of the meeting held remotely (via Microsoft Teams) on 8 March 2021 at 10.00am

Present:

Councillor Julian Peterson (Chair)
Councillors Stephen Gauntlett (Vice-Chair), Christine Brett, Roy Burman, Phil Davis, Adrian Ross and Christine Robinson

Officers in attendance:

Jackie Humphrey (Chief Internal Auditor)
Homira Javadi (Chief Finance Officer)
Jennifer Norman (Committee Officer, Democratic Services)
Ola Owolabi (Deputy Chief Finance Officer, Corporate Finance)

Also in attendance:

Niren Ramkhelowon (Deloitte)
Ben Sheriff (Deloitte)

73 Introductions

The Chair introduced members of the Committee via a roll call, and those officers present during the remote meeting.

74 Apologies for absence/declaration of substitute members

There were none.

75 Declarations of interest

There were none.

76 Minutes

The minutes of the meeting held on 18 January 2021 were submitted and approved, and the Chair was authorised to sign them as a correct record.

77 Urgent items

There were none.

78 Written questions from councillors

There were none.

79 External Audit of the 2018/19 Statement of Accounts

The Committee received a verbal update from the Deputy Chief Finance Officer (DCFO) and the Council's External Auditor, Deloitte, in respect of the External Audit of the 2018/19 Statement of Accounts.

The DCFO reminded Members that previous updates were given regarding the External Audit of the 2018/19 Statement of Accounts at the November 2020 and January 2021 meetings of the Committee. Following the updates, the Council had been engaged with Deloitte in order to produce a list of outstanding issues in respect of the 2018/19 Statement of Accounts, as was requested by the Committee at its meeting in November 2020.

The DCFO highlighted that the outstanding issues were escalated to the Senior Director of Deloitte on 10 February 2021. A meeting took place between Mr Sheriff and the Senior Director of Deloitte, and the Council's Chief Executive (CE), Chief Finance Officer (CFO) and DCFO. The CE made it clear that the Council's Members were not happy and charged Deloitte with a deadline for the completion of the outstanding External Audit of the 2018/19 Statement of Accounts. The Council's External Auditor reiterated that the continued delay was primarily due to a lack of resources including staffing, and the Covid-19 pandemic.

The DCFO further highlighted that, as a result of the meeting, it had been agreed that there would be a monthly meeting between the Council's senior officers and Deloitte so as to continue monitoring the progress in respect of the closure of the 2018/19 Statement of Accounts.

Mr Sheriff confirmed the statements made by the DCFO. He explained that Deloitte was in the process of testing on a number of the outstanding items in respect of the closure of the 2018/19 Statement of Accounts at which point the Council's External Auditor would be able to work through the outstanding issues and complete testing in the remaining areas.

Discussions included:

- Whether or not Deloitte would be able to provide an estimated completion date in respect of the External Audit of the Statement of Accounts 2018/19. Mr Sheriff explained that Deloitte currently had a scheduling of staff for March through September 2021 to work on the outstanding audits for both Lewes District Council and Eastbourne Borough Council.
- Whether or not the fees had been paid to Deloitte for the External Audit of the Statement of Accounts 2018/19 and 2019/20. The DCFO responded that the 2018/19 agreed PSAA contractual fees had been paid, however, there may be a variation of fees which have yet to be determined. He confirmed that the fees for 2019/20 had not yet been paid.
- Whether the list of outstanding issues for the Statement of Accounts 2018/19 previously requested by the Committee had been made

available to the Council's Officers to be signed off. Mr Sheriff responded that although the list of outstanding items had been agreed, there were items on the list that still needed to be tested before they were signed off as completed.

The DCFO highlighted that during the ongoing discussions with Deloitte, Council Officers had requested a specific list of outstanding issues in order to formally sign off the items as completed, but Officers had not yet received the requested list from Deloitte.

- The Committee expressed its dissatisfaction with potential costs in relation to the External Audit of the Statement of Accounts 2018/19 and queried whether or not the Council would see potential additional costs for the External Audit of the Statement of Accounts 2019/20. The DCFO clarified that external audit plan which was presented for 2018/19 alluded that there might be potential variations to the contract, however, all variations needed to be agreed with the Public Sector Audit Appointments (PSAA). Mr Sheriff further clarified that the scale fee was not reached by negotiations, but was a figure that the PSAA implemented that did not take into account external implications.
- The Committee asked for the assurance of Mr Sheriff that the outstanding audits in respect of the Statement of Accounts 2018/19 and 2019/20 would be completed as soon as practicably possible and with sufficient resources. Mr Sheriff agreed.

The Chair thanked Mr Sheriff and the DCFO for their continued work in relation to the External Audits of the Statement of Accounts 2018/19 and 2019/20.

Resolved: That the verbal update be noted.

80 External Audit Plan 2020/21

The Committee considered the report which detailed the Council's External Audit plan for 2020/21, as set out in Appendix A.

The Deputy Chief Finance Officer (DCFO) presented the report and its findings.

The DCFO explained that the Covid-19 pandemic had an unexpected impact on the Council, including audit timing. The expectation was that the Council and the Council's External Auditor, Deloitte, had sufficient resources from 22 March through September 2021 to complete all outstanding audits, including the External Audit Plan 2020/21.

The DCFO highlighted that following Sir Tony Redman's review in September 2020, the Council had amended the publication of its External Audit 2020/21 from July to September 2021, and that central government had consulted on the timetable.

The DCFO invited Mr Sheriff of Deloitte to make further comments.

Mr Sheriff detailed the areas of risk which Deloitte expected to focus on in relation to the Council's External Audit Plan 2020/21.

Discussions included:

- Questions surrounding when the External Audit 2020/21 would begin. Mr Sheriff confirmed that the External Audit 2020/21 was expected to begin in the summer of 2021.
- Questions related to the process Deloitte had implemented which identified risks set out in External Audit Plan 2020/21. Mr Sheriff explained that there were several required risks and lists that the Council's External Auditors had to review as part of the audit plan.
- When the External Audit of the Statement of Accounts 2018/19, 2019/20 and 2020/21 would be completed. Mr Sheriff explained that if there were no sufficiently problematic areas, he expected the completion of the Statement of Accounts 2018/19 to be completed through April 2021, with the Statement of Accounts 2019/20 likely to be July 2021 and the Statement of Accounts 2020/21 with a target completion date of September 2021.
- Whether or not the Council's Officers were confident for Deloitte to begin the External Audit of the Statement of Accounts 2019/2020 once the 2018/19 External Audit was completed. The DCFO confirmed that although there may be some amendments to the 2018/19 External Audit, Officers did not want the 2019/20 External Audit to be delayed any further.
- Whether or not the timescales presented to the Committee for the outstanding External Audits were the same for Eastbourne Borough Council (EBC). Mr Sheriff confirmed that the timescales were the same for both authorities.
- Questions surrounding the Council's Finance team staffing levels and the effect of shared services with EBC. The DCFO explained that there had been various changes in staffing levels which had been addressed during previous meetings of the Committee.

The Council's Chief Finance Officer (CFO) explained that she began working for the Council in 2018 during the fourth phase of the Joint Transformation Programme (JTP) agreed between the Lewes District Council (LDC) and EBC. Part of the delay in the External Audit of the Statement of Accounts 2018/19 was as a result of the CX Housing System used by LDC, which led to systems implementation issues. She further explained that although the draft accounts were ready in June 2018, she wanted to ensure that she had the opportunity to thoroughly assess the accounts.

The CFO highlighted that although there had been changes within the staffing of the Finance team, the new team was strong with greater resiliency, and had a much higher level of experience.

Resolved: That the report be noted.

81 Treasury Management

The Committee considered the report which presented details of recent Treasury Management activity for the period of 1 January 2021 to 28 February 2021.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings.

The Committee highlighted the potential indicators and queried whether or not the authorised limit for external debt and actual limit for external debt reflected the same figures. The DCFO clarified that the authorised limit was merely a guide as to the amount that the Council would not need to borrow beyond. He agreed that Officers would provide a more detailed analysis for HRA in future reports to the Committee.

The Chief Finance Officer (CFO) thanked the Committee for its important feedback. She highlighted that in terms of clarifying the table in paragraph 6.1, the authorised limits and operational boundaries were targets that the Council had set and were still operating within. The CFO further highlighted that for purposes of clarification in future reports to the Committee, Officers would break down the table into two sections: any changes to the targets and how the Council measured against those targets.

Resolved:

That Cabinet be recommended to accept the Treasury Management activity from 1 January to 28 February 2021 has been in accordance with the approved Treasury Strategy for the period, as set out in the report.

82 Internal Audit and Counter Fraud report for the first three quarters of the financial year 2020-2021 to the end of December 2020

The Committee received the report which provided a summary of the activities of Internal Audit and Counter Fraud for the first half of the financial year 2020-2021 to the end of December 2020.

The Chief Internal Auditor (CIA) summarised the report and its findings.

Discussions included:

- Whether or not the Housing CX report could be distributed to the Committee. The CIA confirmed that she would confidentially share the report with the Committee going forward, but it would not be shared publicly as details contained within the report showed system weaknesses.
- What percentage of the reviewed sample of 150 small business grants were fraudulent. The CIA responded that she did not have the details to hand, but she would find out and provide the figures to the Committee going forward.

- Whether there had been an increase in applications for Universal Credit. The CIA explained that she did not have the figures to hand, but she would find out and report back to the Committee regarding her findings.
- Various questions surrounding past and future audits, assurance levels and areas that could potentially be audited, and when the areas were last audited. The CIA explained that she would share a copy of the Audit Universe with the Committee, which was a spreadsheet that contained information which would answer the Committee's queries.

Resolved: That the report be noted.

83 Strategic Risk Register quarterly review

The Committee received the report which summarised the outcomes of the quarterly review of the Strategic Risk Register (SRR) by the Corporate Management Team (CMT).

The Committee queried whether the controls detailed in the report were changing and why the risks detailed in the report were so substantial. The CIA responded that as a result of the ongoing Covid-19 pandemic, the Council was being very cautious in relation to the potential risks.

The Chief Finance Officer (CFO) explained that the purpose of monitoring the risks was to highlight the severity of exposure levels. Monitoring the risks allowed Officers the opportunity to update how they appear the Council's priority list, and what actions the Corporate Management Team and the Authority were putting in place to monitor the risks.

Resolved: That the report be noted.

84 Draft Internal Audit plan for 2021/22

The Committee considered the report which detailed the proposed Internal Audit plan for 2021/22.

The Council's Chief Internal Auditor (CIA) presented the report and its findings.

Discussions included:

- When the Draft Internal Audit plan for 2021/22 needed to be finalised and confirmation that the Committee would receive the Audit Universe for review and comments. The CIA responded that the Internal Audit Plan 2021/22 started on 1 April 2021. She confirmed that she would share the Audit Universe with the Committee going forward and that feedback from the Committee was welcomed by Officers.
- Concerns surrounding the litter contract. The CIA confirmed that she would add litter collection to the Council's Internal Audit plans going forward.
- Questions surrounding the partial assurance levels contained in Appendix A and the lack of inclusion of business continuity and

procurement. The CIA confirmed that although business continuity and procurement did not appear in the Draft Internal Audit Plan 2021/22, there was time set aside to review and address the issues.

Resolved:

That the proposed Internal Audit plan for 2021/22, as set out in Appendix B, be approved.

85 Date of next meeting

Resolved:

That it be noted that the next meeting of the Audit and Standards Committee is scheduled to commence at 10:00am on Monday, 26 July 2021.

The meeting ended at 11.57am.

Councillor Julian Peterson (Chair)

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Report to:	Audit and Standards Committee
Date:	26 July 2021
Title:	Amendments to ethical standards governance
Report of:	Monitoring Officer
Ward(s):	All
Purpose of report:	To seek the Committee's approval to amendments relating to the Council's ethical governance framework.
Officer recommendation(s):	That the Committee: (1) approves the amended Audit and Standards Committee terms of reference, as set out in Appendices 1 and 2; (2) approves the amended arrangements for dealing with complaints about councillors, as set out in Appendix 3; (3) authorises the Monitoring Officer to update the Council's constitution and supporting documents to reflect the amendments referenced above.
Reasons for recommendations:	The proposed amendments reflect national best practice and the need for clear and comprehensive governance.
Contact Officer(s):	Name: Oliver Dixon Post title: Monitoring Officer E-mail: oliver.dixon@lewes-eastbourne.gov.uk Telephone number: (01323) 415881

1 Introduction

1.1 The Audit and Standards Committee's terms of reference require greater clarity over (i) the procedure for appointing Independent Persons and (ii) the arrangements for Standards Panels. The necessary amendments to those terms of reference are explained in section 2 below.

1.2 One of the recommendations by the Committee on Standards in Public Life in their review of local government ethical standards concerned the procedure the Monitoring Officer should adopt in assessing complaints about councillor conduct. The proposed amendments to this procedure are explained in section 3 below.

2 Audit and Standards Committee Terms of Reference

- 2.1 The Committee's existing terms of reference, set out at Part 11 of the Constitution, do not adequately specify the role of the Committee Chair in appointing Independent Persons. Paragraph 3.5 of the amended terms of reference (see Appendix 1) rectifies this. For consistency, paragraph 9.2 of Article 9 of the Constitution has also been amended (see Appendix 2).
- 2.2 The amended terms of reference also provide clarity over the status, composition and functions of the Standards Panel, which operates as a sub-committee of the Audit and Standards Committee. Provisions relating to Standards Panel hearings are also included now. These amendments are at paragraph 3.6 of the new terms of reference (see Appendix 1).
- 2.3 For ease of reference, all the constitutional amendments are shown as tracked changes in Appendices 1 and 2.

3 Arrangements for Dealing with Complaints about Councillor Conduct

- 3.1 The Committee on Standards in Public Life has recommended that, as a matter of best practice, the initial assessment by Monitoring Officers of complaints about councillor conduct should comprise a two-part test: (1) whether the MO *can* formally investigate the complaint and (2) whether he/she *should* formally investigate.
- 3.2 This two-part test and its individual elements have been incorporated in the amended set of arrangements set out in Appendix 3 – see text in red on pages 2 to 3.
- 3.3 The test helps to ensure that only those complaints which could amount to a breach of the Code of Conduct and which would justify a formal investigation on grounds of seriousness, proportionality and public interest would qualify. Public interest factors include the cost to the Council (and ultimately the taxpayer) of conducting a full investigation.

4 Financial appraisal

- 4.1 There are no immediate direct revenue consequences arising to the Council as a direct result of approving the proposed amendments to ethical standards governance detailed within this report. The cost of administering the Council's ethical governance framework is met from existing budgets.

5 Legal implications

- 5.1 The Audit and Standards Committee has power to amend its own terms of reference. There is no requirement to seek the approval of the full Council.
- 5.2 Under section 28(6) of the Localism Act 2011, the Council must put in place arrangements under which allegations that a member has failed to comply with the authority's code of conduct may be investigated. The arrangements set out in Appendix 3 satisfy this requirement.

6 Risk management implications

6.1 Once approved, the amendments referred to in Appendices 1 to 3 will ensure the Council's ethical standards framework is comprehensive, clear and reflects best practice.

7 Appendices

7.1 Appendix 1 – Amendments to Audit and Standards Committee terms of reference in part 11 of the Constitution

7.2 Appendix 2 – Amendments to Audit and Standards Committee terms of reference in Article 9 of the Constitution

7.3 Appendix 3 – Amendments to the Council's arrangements for dealing with complaints about councillor conduct

8 Background papers

8.1 The background papers used in compiling this report were as follows:

- 8.2
- Local government ethical standards report by the Committee on Standards in Public Life - <https://www.gov.uk/government/publications/local-government-ethical-standards-report>

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Part 11

Section 1

Remit of the Council

The powers and duties of the Council are set out in Article 4.2 of the Constitution (pages B6 and B7).

Section 2

Remit of the Policy and Performance Advisory Committee

1 Membership

- 1.1 There shall be one Policy and Performance Advisory Committee consisting of eleven councillors appointed by Council. The quorum shall be three.
- 1.2 Committee membership will be balanced to political proportions and cannot include Cabinet members. It will be chaired by a member from an opposition group.
- 1.3 All non-executive members on the Council can act as substitutes for the standing membership but can only substitute for a member from the same group.
- 1.4 Any councillor who is not a member of the Committee may attend a meeting of the Committee but may only speak at the meeting at the invitation of the Chair.
- 1.5 The Committee may invite any person to attend and take part in a review being conducted by the Committee, but such person shall not have voting powers.
- 1.6 The Committee, when dealing with any housing matter relating to the Council's management of its housing stock shall include two representatives of the Lewes District Organisation of Tenant and Residents Groups who shall be entitled to speak but not vote on any such matter. The tenants' representatives shall not be entitled to be present when any matter is discussed which is designated as an exempt item.

2 Remit of the Policy and Performance Advisory Committee

- 2.1 The remit of the Policy and Performance Advisory Committee is set out in Article 6 of the Constitution (pages B10-B14).

3 Procedures and Method of Working of the Policy and Performance Advisory Committee

- 3.1 The procedures and method of working to be adopted by the Policy and Performance Advisory Committee is set out in the Policy and Performance Advisory Procedure Rules in Part 4 of the Constitution (pages H1 – H11).

Section 3

Remit of the Licensing Committee

1. Membership

- 1.1 The Licensing Committee shall consist of ten members chosen on the basis of proportionality to reflect the political composition of the Council.
- 1.2 When discharging its functions under the Licensing Act 2003, the Licensing Committee will be quorate when three members are sitting.
- 1.3 Sub-committees established by the Licensing Committee to discharge its functions under the Licensing Act 2003 will be quorate when three members are sitting. The members of the Committee shall appoint a Chair from amongst themselves.

2 Powers and Duties under the Licensing Act 2003

- 2.1 To undertake all the Council's functions as Licensing Authority under the Licensing Act 2003 (save for those functions specifically conferred on full Council by the Act).
- 2.2 To establish sub-committees of three members chosen from the Licensing Committee on the basis of political proportionality to carry out its functions.
- 2.3 To make recommendations to the Council about:
 - (i) the determination by Council of a Statement of Licensing Policy;
 - (ii) The review by Council of that Statement of Licensing Policy (in accordance with the provisions of the Licensing Act 2003); and
 - (iii) any revisions to the Statement of Licensing Policy.
- 2.4 To delegate any of its functions to its sub-committees or officers subject to any restrictions imposed by the Licensing Act 2003 and the Guidance and Regulations made thereunder.

2.5 Notwithstanding 2.4 above, to delegate the following functions as shown:

Matter to be dealt with	Full Committee	Sub-Committee	Director of Service Delivery or any properly appointed deputy or other officer authorised to act
Application for personal licence		If Police objection made	If no representation made
Application for personal licence with unspent convictions		All cases	
Application for premises licence/club premises certificate		If a representation made	If no representation made
Application for provisional statement		If a representation made	If no representation made
Application to vary premises licence/club premises certificate		If a representation made	If no representation made
Application to vary designated premises supervisor		If a Police representation	All other cases
Request to be removed as designated premises supervisor			All cases
Application for transfer of premises licence		If a Police representation	All other cases
Applications for interim authorisation		If a Police representation	All other cases
Application to review premises licence/club premises certificate		All cases	
Decision on whether a complaint is irrelevant, frivolous, vexatious etc			All cases
Decision to object when Council is a consultee and not the Licensing Authority		All cases	
Determination of a Police representation to a temporary event notice		All cases	All cases
Application for authorisation of films already classified by British Board of Film Classification (BBFC)		All cases	
Application for authorisation of films not already classified by British Board of Film Classification (BBFC), or the Council		All cases	

3. Powers and Duties under the Gambling Act 2005

- 3.1** To undertake all the Council’s functions as Licensing Authority under the Gambling Act 2005 (save for those functions specifically conferred on full Council by the Act).
- 3.2** To establish sub-committees of three members chosen from the Licensing Committee to carry out its functions.
- 3.3** To make recommendations to the Council about:
- (i) the determination by Council of a Statement of Gambling Policy;
 - (ii) the review by Council of that Statement of Gambling Policy (in accordance with the provisions of the Gambling Act 2005); and
 - (iii) any revisions to the Statement of Gambling Policy.
- 3.4** To delegate any of its functions to its sub-committees or officers subject to any restrictions imposed by the Gambling Act 2005 and the Guidance and Regulations made thereunder.
- 3.5** Notwithstanding 3.4 above, to delegate the following functions as shown:

Matter to be dealt with	Full Council	Sub-Committee	Officers
Three year licensing policy	All cases		
Policy not to permit casinos	All cases		
Fee setting (when appropriate)	All cases		
Application for premises licence		If a representation made	If no representation made
Application for a variation of a licence		If a representation made	If no representation made
Application for a transfer of a licence		If a representation made	If no representation made
Application for provisional statement		If a representation made	If no representation made
Review of a premises licence		All cases	
Application for club gaming/ Club machine permits		If a representation made	If no representation made

Matter to be dealt with	Full Council	Sub-Committee	Officers
Cancellation of club gaming/ club machine permits		All cases	
Applications for other permits			All cases
Cancellation of licensed premises gaming machine permits			All cases
Consideration of temporary use notice			All cases
Decision to give a counter notice to a temporary use notice		All cases	
Determination whether a Hearing needs to be held			All cases
Determination whether a representation is relevant			All cases
Determination of an appropriate Hearing procedure			All cases

4 Other Powers and Duties

- 4.1** To deal with taxi, entertainment, food and miscellaneous licensing (other than licensing functions arising out of the Licensing Act 2003 and the Gambling Act 2005).
- 4.2** To deal with the Council’s functions relating to health and safety under any “relevant statutory provision” within the meaning of Part 1 of the Health and Safety at Work Act 1974, to the extent that those functions are discharged otherwise than in the Council’s capacity as employer.
- 4.3** To deal with enforcement functions (other than development control enforcement in accordance with town and country planning legislation) including but not limited to contaminated land, pollution control, statutory nuisances, byelaws, litter and food premises.
- 4.4** To deal with appeals relating to any of the above.

4.5 To establish sub-committees of three members chosen from a pool of ten on the basis of political proportionality whenever possible to carry out its functions.

5 Regulation of Business when discharging those functions described in paragraph 2 above (ie functions under the Licensing Act 2003)

5.1 For the purpose of fulfilling its functions under 2.3 above, the Committee shall consider the following:

- (i) A joint report from the Head of Environmental Health and the Council's senior legal officer;
- (ii) The draft (or current) Statement of Licensing Policy;
- (iii) Any representations received in response to formal/statutory consultation.

The Head of Environmental Health and the Council's senior legal officer shall report the Committee's recommendations to Council.

5.2 Sub-Committees appointed to hear and determine applications made under the Licensing Act 2003 shall decide the procedure to be followed for the hearing. That procedure shall be subject to the provisions of the Act and the Regulations and Guidance made thereafter.

6 Regulation of Business when discharging those functions described in paragraph 4 above

6.1 The Committee shall, at any hearing, consider any representations made by any person affected.

6.2 Every person affected shall be entitled to be present at the hearing, other than any part of it set aside by the Committee exclusively for the purpose of arriving at the decision, and

- (a) to be heard by the Committee;
- (b) to call persons to give evidence; and
- (c) to put questions to any other person who gives evidence,

and may for these purposes be accompanied or represented at the hearing by any person of their choice.

6.3 Matters under consideration by the Committee shall be decided by a simple majority of votes cast and, in the case of an equality of votes, the Chair shall have a second or casting vote.

- 6.4 The Committee may regulate their own procedure (subject to compliance with legal requirements) at the hearing and may, in particular, receive representations and evidence from such persons present as they consider appropriate. Witnesses will not be admitted to the hearing until the point at which they are called to give evidence unless the Committee otherwise decides
- 6.5 The Committee is advised to adopt a procedure on the following lines:
- (a) **Opening Remarks** by the Chair of the Committee introducing those present at the hearing, and ensuring that the appellant understands the procedure to be followed at the hearing.
- (b) **The Council's Case**
- Opening remarks by the Council's representative.
- The Council's representative to call any witnesses.
- The appellant or his representative may question any witness.
- The Chair or members of the Committee may wish to ask questions.
- The Council's representative is then to have the opportunity of asking any further questions of any Council witness to clear up any point in the earlier questioning.
- (c) **Appellant's Case**
- The appellant (or his/her representative) will open his/her case.
- The appellant (or his/her representative) to call any witness and/or give evidence in support of his case.
- The Council's representative may question any witness, including the appellant if he/she gave evidence.
- The Chair or members of the Committee may wish to ask questions.
- The appellant or his/her representative is then to have an opportunity of asking any further questions of any witness to clear up any points raised in the earlier questioning.
- (d) **Closing Statements**
- By the Council's representative.
- By the appellant or his/her representative.

- (e) The Chair of the Committee will then ask the Clerk if there are any other matters to be raised or resolved before the hearing is closed. If not, the Chair will then close the proceedings, indicating that a copy of the Committee's decision and the reasons for it will be sent to the appellant and the Council.
 - (f) Both the appellant's and the Council's sides will withdraw from the hearing.
- 6.6** The Clerk to the Committee shall keep a sufficient record of the Committee's proceedings.
- 6.7** A copy of the record of each hearing shall be given or sent to the Council and to the interested person within seven days of the hearing, or if this is not reasonably practicable, as soon as possible thereafter.
- 6.8** The Director of Finance of the Council may approve and pay reasonable travelling expenses claims in respect of attendance at hearings by each interested person and one other person representing or accompanying him/her.

Section 4

Remit of the Audit and Standards Committee

1 Statement of Purpose

- 1.1 Provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that ~~if it~~ affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.
- 1.2 Promote and maintain high standards of conduct by Members and Co-opted Members of the Council.

2 Membership

- 2.1 The Audit and Standards Committee shall consist of seven members of the District Council. The quorum shall be four.
- 2.2 Up to 3 additional co-opted non-voting Town/Parish members may participate in Standards, but not Audit, matters.
- 2.3 The terms served by Town/Parish members shall run concurrently with the term of office of the District Councillors.
- 2.4 The Chair shall be elected from a non-Cabinet member of the Minority Groups.

~~2.5 Any Independent Person appointed by the Council under section 28(7) of the Localism Act 2011 shall have the right to attend meetings of the Committee and Standards Panel hearings in an advisory, non-voting, capacity.~~

~~2.5 Duty to appoint one or more Independent Persons for the following purposes:-~~

- ~~(a) to give the Council views on any allegations it has decided to investigate, before a decision is reached;~~
- ~~(b) at the discretion of the Council, to give the Council views on any other allegations; and~~
- ~~(c) at the discretion of a Member, Co-opted Member or Member of Town/Parish Council, to give the Member views on any allegations relating to the behaviour of that Member.~~

3 Powers and Duties

- 3.1 The Committee is responsible for carrying out the following statutory Audit duties:

- a) To review progress with the External Auditor on audit systems and final audits and respond to any matters raised by the External Auditor. A meeting between the External Auditor and members of the Audit and Standards Committee can be held at the request of either party;
- b) To review the External Auditor's Management Letter and the conclusions of Value for Money Studies and make recommendations to the Cabinet;
- c) To keep under review the probity and the effectiveness of internal controls, both financial and operational, including the Council's arrangements for identifying and managing risk;
- d) To keep the effectiveness of management arrangements under review to ensure legal and regulatory compliance;
- e) To review the effectiveness of corporate governance arrangements and to oversee production of the Annual Governance Statement and recommend its adoption;
- f) To agree a three year strategic audit programme and annual programme and keep them under review:
 - to ensure co-ordination between internal and external auditors, and
 - to make recommendations to the Cabinet to ensure that the internal audit function is adequately resourced and is able to discharge its functions effectively;
- g) To consider the Head of Audit and Performance's Annual Report and to report annually to the Cabinet on the adequacy and effectiveness of internal controls within the Council;
- h) To review the annual statement of accounts, and consider whether the appropriate accounting policies have been followed and whether there are any concerns that need to be brought to the attention of the Council; and to approve the Council's annual accounting statements

3.2 In addition, the Committee is responsible for exercising the following Audit powers:

- a) To consider the significant findings of internal audit investigations, the responses of Chief Officers to those findings and any matters the Head of Audit and Performance may wish to discuss (in the absence of Chief Officers if necessary);
- b) To commission work from internal and external audit;

- c) To maintain an overview of the Council's Constitution in terms of contract procedure rules, financial regulations and codes of conduct and behaviour;
- d) To monitor Council policies on Whistleblowing and Anti-Fraud and Corruption;
- e) To review Treasury Management Policies and the Treasury Strategy and to recommend any changes to those documents to Cabinet for consideration; and
- f) To oversee the operation of the Council's policy on the use of powers under Part 2 of the Regulation of Investigatory Powers Act 2000 ('RIPA') by receiving reports every 12 months on the policy and its implementation, and on any RIPA authorised activity conducted during the preceding 12-month period.

3.3 The Committee is responsible for carrying out the following statutory Standards duties:

- a) To recommend to Council the adoption of a Code of Conduct dealing with the conduct expected of Members and Co-opted Members of the Council when acting in that capacity ~~[s27(2)]~~ and including provision in respect of the registration and disclosure of (a) pecuniary interests and (b) interests other than pecuniary interests; and to recommend to Council, as and when necessary, revision ~~onse to~~ the existing Code of Conduct or the adoption ~~adoptof~~ a replacement Code of Conduct ~~and make recommendations on the Code of Conduct to Council~~; and
- b) To put in place and to revise where necessary, arrangements to investigate and make decisions on written allegations that a Member or Co-opted Member of the Council has failed to comply with the Code of Conduct.

3.4 In addition, the Committee is responsible for exercising the following Standards powers:

- ~~a) To have regard to a Member's or Co-opted Member's failure in complying with the Code of Conduct, in deciding whether to take action in relation to that Member and what action to take.~~
- b)a) To grant a Member or Co-opted Member a dispensation from the restriction on speaking and/or voting when any matter in which that person has a disclosable pecuniary interest is to be considered at a meeting of the Council or any of its committees, sub-committees, joint committees or joint sub-committees.

- b) To consider the Monitoring Officer's Annual Report on the establishment and maintenance of a register of interests of Members and Co-opted Members of the Council
- c) To delegate to the Standards Panel the functions set out in paragraph 3.6.3 below.

3.5 Appointment of Independent Persons

- a) The Chair of the Committee shall be a member of the Council's Independent Person Selection Panel whose role is to recommend to Council the appointment of one or more Independent Persons pursuant to section 28(7) of the Localism Act 2011.
- b) The Independent Person Selection Panel shall also comprise the Council's Monitoring Officer.
- c) Where it is intended that one or more Independent Persons be appointed to advise both Lewes District Council and Eastbourne Borough Council (EBC), the Selection Panel shall operate as a joint panel for both councils and shall comprise, in addition to those mentioned in 3.5(a) and (b), the Chair of EBC's Audit and Governance Committee.
- d) Where the Selection Panel operates as a joint panel, its recommendations as to the appointment of one or more Independent Persons shall be made to a full Council meeting of LDC and, separately, of EBC.

3.6 Standards Panel

3.6.1 Status

The Standards Panel is a sub-committee of the Audit and Standards Committee.

3.6.2 Composition

- (i) The Standards Panel shall comprise three Members chosen from the membership of the Audit and Standards Committee and in a manner that achieves a political balance (unless the Council agrees to other composition arrangements which shall be subject to a vote at the annual meeting of the Council each year with no votes being cast against the proposition).
- (ii) Where the Member against whom an allegation of misconduct is made (the 'subject member') is a member of a town or parish council, the Standards Panel may consist of two members of the Audit and Standards Committee and one member of a town

or parish council, subject to the latter member having no material connection or association with the subject member.

3.6.3 Functions

The functions of the Standards Panel are–

- (i) to have regard to a Member's or Co-opted Members' failure to comply with the Code of Conduct, and to the views of the Independent Person, in deciding whether to take action in relation to the Member and what action to take;
- (ii) in respect of applications in relation to the grant of dispensations from Members or co-opted Members with pecuniary interests, which have been referred to the Panel by the Monitoring Officer where the Monitoring Officer has chosen not to exercise his/her delegated powers, to hear and determine such applications and in appropriate cases to grant dispensations from the restrictions on speaking and/or voting at meetings of the Council, its committees, sub-committees, joint committees or joint sub-committees; and
- (iii) to discharge any other functions of the Audit and Standards Committee which the Committee delegates to the Panel.

3.6.4 Standards Panel Hearings

- (i) The procedure to be adopted by the Standards Panel at hearings into an allegation that a Member or Co-opted Member failed to comply with the Code of Conduct shall be approved and, as and when necessary, revised by the Audit and Standards Committee.
- (ii) For each hearing, those Members who comprise the Standards Panel will be required to attend one or more briefings in advance given by the Monitoring Officer or his/her Deputy with regard to their role and decision-making process.

Section 5

Remit of the Joint Staff Advisory Committee

1 Membership

1.1 The Joint Staff Advisory Committee shall comprise:

- 3 Members from Lewes District Council – including at least 1 Cabinet Member and 1 opposition member.
- 3 Members from Eastbourne Borough Council – including at least 1 Cabinet Member and 1 opposition member.
- 2 union representatives
- 2 staff representatives

1.2 Named substitutes can be appointed for Councillors and for staff representatives.

2. Quorum

2.1 Quorum for the Committee shall be at least 3 members of the Committee including 1 Councillor from each authority and 1 staff representative.

3. Chairing

3.1 The Chair will be appointed at the first meeting of each municipal year.

3.2 It will be normal practice for the chairmanship of the Committee to rotate between authorities and a staff representative (e.g. year 1 - Eastbourne Councillor, year 2 - Lewes Councillor, year 3 - staff representative).

3.3 A deputy chair will be appointed at the first meeting of each municipal year from any constituent group.

4. Frequency

4.1 The Committee will normally meet 4 times a year and will usually alternate locations between Eastbourne and Lewes.

4.2 Additional meetings can be called if required for any matter that needs to be considered urgently.

5. Status

5.1 The Committee will meet in public and will be an advisory committee (non-statutory).

5.2 It will make recommendations to each Full Council, Cabinet and Chief Officers as appropriate in relation to the matters set out in section 6 below.

6. Purpose of Committee

6.1 To act as an internal advisory committee which serves as a conduit between members and staff on employment related matters, and to make recommendations on such matters.

6.2 To consider and comment upon any policies relating to the application of new relevant legislation and equality issues.

6.3 To consider matters of health, safety and welfare of employees which are referred to the Committee for comment (which are not included in the terms of reference of the Joint Safety Committee).

6.4 Discussion of matters relating to individuals shall not be within the Committee's jurisdiction except as set out in paragraph 6.5 below.

6.5 For all appeals against staff dismissal and grievance, the Assistant Director – HR and Transformation shall invite 2 Councillor Members of this Committee to be a part of the relevant appeals panel.

Section 6

Remit of the Joint Appointments and Appeals Committee

1 Membership

1.1 The Joint Appointments and Appeals Committee shall comprise:

3 Members from Eastbourne Borough Council including at least 1 Cabinet Member and 1 opposition member (politically balanced as far as possible).

3 Members from Lewes District Council including at least 1 Cabinet Member and 1 opposition member (politically balanced as far as possible).

1.2 Members shall be selected as and when the need for a Committee arises and where possible shall include the portfolio-holding Cabinet Member from each Council most relevant to the position which is the subject of the recruitment.

2. Quorum

2.1 The quorum shall be 3 members, with at least one from each Council.

3. Chairing

3.1 The chair will be elected at each individual meeting of the Committee.

4. Frequency

4.2 The Committee will be convened on an ad hoc basis as and when required.

5. Purpose of Committee

5.1 To recommend to Full Council the appointment of the Head of Paid Service, and the designation of the Monitoring Officer and Chief Finance Officer (Section 151 Officer).

5.2 To make appointments to the post of statutory and non-statutory Chief Officers (with the exception of the appointment of the Head of Paid Service) and to determine the terms on which Chief Officers are appointed.

5.3 To deal with appeals against dismissal, grading and grievances by statutory and non-statutory Chief Officers.

Section 7

Remit of the Planning Applications Committee

1 Membership

- 1.1 The Planning Applications Committee shall consist of eleven members. The quorum shall be five.

2 Powers and Duties

- 2.1 To determine planning applications and other matters of Planning Control within the policies and guidance laid down by the Cabinet and Council.
- 2.2 To ensure the highest standards of Building Control continue within the District Council boundaries.
- 2.3 To make recommendations to the Cabinet or the Scrutiny Committee on all matters of policy arising from the exercise of its powers and duties.

3 Delegated Powers and Duties

- 3.1 There shall be delegated to the Committee all the powers and duties of the Council relating to the following, whether in its capacity as local planning authority or in its capacity as agent for the South Downs National Park Authority:
- (a) the determination of all applications under the Planning Acts, or any other similar applications;
 - (b) so far as (a) above is concerned, if the approval of the application as proposed by the Applications Committee would be contrary to
 - (i) the Structure Plan, the Local Plan or other Council Policy or South Downs National Park Authority policy; and
 - (ii) the proposed development is of strategic significance for the future development of the District; and
 - (iii) the development has been identified as such in the report of the Director of Planning and Environmental Servicessuch application shall be referred to the Council or to the South Downs National Park Authority as appropriate.
 - (c) consideration of appropriate action to remedy breaches of planning control and to secure tree preservation in the District;

- (d) the making of observations on planning applications in an adjoining planning authority's area and on proposals for development by statutory undertakers, Government departments, etc; and
- (e) street naming and numbering under Sections 17/18 of the Public Health Act 1925.
- (f) the obtaining of information under Section 330 of the Town and Country Planning Act 1990 as to interests in land.
- (g) the obtaining of particulars of persons interested in land under Section 16 of the Local Government (Miscellaneous Provisions) Act 1976.
- (h) the appointment of any individual –
 - (i) to any other office other than an office in which he/she is employed by the Council and the revocation of any such appointment;
 - (ii) to any other body other than –
 - (a) the Council
 - (b) joint committee of two or more councilsand the revocation of any such appointment; or
 - (iii) to any committee or sub-committee of such a body, and the revocation of any such appointment provided that such appointment is in relation to development control functions.
- (i) Functions relating to town and country planning, trees, hedgerows and development control as specified in Schedule 1 to the Local Authorities (Functions and Responsibilities) (England) Regulations 2000 (the Functions Regulations) as amended.
- (j) The exercise of powers relating to the regulation of the use of highways, footpaths, bridleways and public rights of way and means of access to land as set out in Schedule 1 to the Functions Regulations as amended insofar as they are powers exercisable by the District Council.

Section 8

Remit of the Devolution Committee

1 Membership

- 1.1 The Devolution Committee shall consist of seven members. The quorum shall be four.

2 Powers and Duties

- 2.1 To deal with matters relating to devolution and to report to the Cabinet (ie not to have plenary powers).

PART 2

ARTICLES OF THE CONSTITUTION

Article 1 – The Constitution

References:

Section 37, Local Government Act 2000

Chapter 10, DETR Guidance,

The Local Government Act 2000 (Constitutions) (England) Direction 2000

1.1 Powers of the Council

The Council will exercise all its powers and duties in accordance with the law and this Constitution.

1.2 The Constitution

This Constitution, and all its appendices, is the Constitution of Lewes District Council.

1.3 Purpose of the Constitution

The purpose of the Constitution is to:

- (a) enable the Council to provide clear leadership to the community in partnership with citizens, businesses and other organisations;
- (b) support the active involvement of citizens in the process of local authority decision-making;
- (c) help councillors represent their constituents effectively;
- (d) enable decisions to be taken efficiently and effectively;
- (e) create a powerful and effective means of holding decision-makers to public account;
- (f) ensure that no one will review or scrutinise a decision in which they were directly involved;
- (g) explain the way in which decisions are made at the Council and explain who is responsible for making those decisions;
- (h) ensure that those responsible for decision-making explain the reasons for their decisions;
- (i) provide a means of improving the delivery of services to the community.

1.4 Interpretation and Review of the Constitution

Where the Constitution permits the Council to choose between different courses of action, the Council will always choose that option which it thinks is closest to the purposes stated above.

The Council will monitor and evaluate the operation of the Constitution as set out in Article 15.

Article 2 – Members of The Council

References:

Part I, Part VA and Section 79, Local Government Act 1972

Chapter 2, DETR Guidance

Section 18, Local Government and Housing Act 1989 and regulations thereunder
Section 7, Superannuation Act 1972 and regulations thereunder

2.1 Composition and Eligibility

a) Composition.

The Council will comprise 41 members, otherwise called councillors. One or more councillors will be elected by the voters of each ward in accordance with a scheme drawn up by the Local Government Commission and approved by the Secretary of State.

b) Eligibility.

Only registered voters of the district or those living or working there will be eligible to hold the office of councillor.

2.2 Election and Terms of Councillors

The regular election of Councillors will be held on the first Thursday in May every four years beginning from 2003. The terms of office of Councillors will start on the fourth day after being elected and will finish on the fourth day after the date of the next regular election.

2.3 Roles and Functions of All Councillors

a) Key roles.

All councillors will:

- (i) collectively be the ultimate policy-makers and carry out a number of strategic and corporate management functions;
- (ii) represent their communities and bring their views into the Council's decision-making process, i.e. become the advocate of and for their communities;
- (iii) effectively represent the interests of their ward and the interests of individual constituents;
- (iv) respond to constituents' enquiries and representations fairly and impartially;
- (v) balance different interests identified within their ward and represent the ward as a whole;
- (vi) be involved in decision-making;
- (vii) be available to represent the Council on other bodies; and
- (viii) maintain the highest standards of conduct and ethics.

(b) Rights and Duties

- (i) Councillors will have rights of access to such documents, information, land and buildings of the Council as are necessary for the proper discharge of their functions.
- (ii) Councillors will not make public information which is confidential or exempt without the consent of the Council or divulge information given in confidence to anyone other than a councillor or officer entitled to know it.
- (iii) For these purposes, “confidential” and “exempt” information are defined in the Access to Information Rules in Part 4 of this Constitution.

2.4 Conduct

Councillors will at all times observe the Members’ Code of Conduct and the Protocol on Member/Officer Relations set out in Part 5 of this Constitution.

2.5 Allowances

Councillors will be entitled to receive allowances in accordance with the Members’ Allowances Scheme set out in Part 7 of this Constitution.

Article 3 – Citizens and The Council

3.1 Citizens' Rights

Citizens have the following rights. Their rights to information and to participate are explained in more detail in the Access to Information Rules in Part 4 of this Constitution:

a) Voting and petitions.

Local government electors have the right to vote and sign a petition to request a referendum for an elected mayor form of Constitution.

b) Information.

Citizens have the right to:

- (i) attend meetings of the Council and its committees except where confidential or exempt information is likely to be disclosed, and the meeting is therefore held in private;
- (ii) attend meetings of the Cabinet;
- (iii) find out from the forward plan what key decisions will be taken by the Cabinet, Cabinet Member, or officers, and when;
- (iv) see reports and background papers, and any records of decisions made by the Council, Cabinet, Cabinet Member, or key decisions made by officers;
- (v) inspect the Council's accounts and make their views known to the District Auditor.

c) Participation.

Citizens have the right to put questions to councillors at meetings of the Council and to contribute to investigations by the Policy and Performance Advisory Committee when invited to do so.

d) Complaints.

Citizens have the right to complain to:

- (i) the Council itself under its complaints scheme;
- (ii) the Ombudsman after using the Council's own complaints scheme;
- (iii) the Monitoring Officer about a breach of the Councillors' Code of Conduct.

3.2 Citizens' Responsibilities

Citizens must not be violent, abusing or threatening to councillors or officers and must not wilfully harm things owned by the Council, councillors or officers.

Article 4 – The Full Councilⁱ

4.1 Introduction

The Full Council is a formal meeting of all Councillors. The Full Council is required by law to take certain important decisions including setting the Council's Budget and Council Tax, and approving a number of key plans and strategies, which together form the Policy Framework (listed below). The full Council must also by law take decisions on a number of specific matters.

The Full Council provides a central forum for debate and gives the opportunity for Councillors and members of the public to ask questions about the Council or matters affecting the Council.

4.2 The Council

A meeting of the Council is one in which all 41 members are entitled to attend to speak and vote. The Council is responsible for the determination of the Budget and Policy Framework of the Council and for all of the functions which are not the responsibility of the Executive. The Council is responsible for regulatory and other non-Executive functions, for example planning and licensing, and has a role in holding the Executive to account.

It will carry out some functions itself but others will be delegated to Committees or named officers.

4.3 Meanings

- (a) **Policy Framework.** The policy framework means the following plans and strategies:
- (i) those required by law to be adopted by the Council:
 - Council Plan;
 - Sustainable Community Strategy;
 - Crime Reduction Strategy;
 - Plans and strategies which together comprise the Development Plan;
 - Pay Policy Statement;
 - (ii) The following plans and strategies should be adopted by the Council as part of the Policy Framework:
 - Food Law Enforcement Service Plan;
 - The plan and strategy which comprise the Housing Investment Programme;
 - Local Agenda 21 Strategy;
 - (iii) other plans and strategies which the Council may decide should be adopted by the Council meeting as a matter of local choice:

- E-government strategy;
 - Policy for use of powers given by the Regulation of Investigatory Powers Act 2000.
- (b) **Budget.** The budget includes the allocation of financial resources to different services and projects, proposed contingency funds, setting the council tax and decisions relating to the control of the Council's borrowing requirement, the control of its capital expenditure and the setting of virement limits and supplementary estimates.
- (c) **Housing Land Transfer.** Housing Land Transfer means the approval or adoption of applications (whether in draft form or not) to the Secretary of State for approval of a programme of disposal of 500 or more properties to a person under the Leasehold Reform, Housing and Urban Development Act 1993 or to dispose of land used for residential purposes where approval is required under sections 32 or 43 of the Housing Act 1985.

4.4 Functions of the Full Council

Only the Council will exercise the following functions:

- (a) adopting and changing any part of the Constitution unless stated otherwise;
- (b) approving or adopting the policy framework, the budget and any application to the Secretary of State in respect of any Housing Land Transfer;
- (c) subject to the urgency procedure contained in the Access to Information Procedure Rules in Part 4 of the Constitution, making decisions about any matter where the Executive is proposing to make a decision which would be contrary to the Policy Framework or contrary to/or not wholly in accordance with the Budget;
- (d) appointing the Leader;
- (e) assessing the performance of the Cabinet and passing a resolution to remove the Leader from office;
- (f) approving the scheme of delegations, save for the delegation of executive functions;
- (g) agreeing and/or amending the terms of reference for the Policy and Performance Advisory Committee and other committees, deciding on their composition and making appointments to them;
- (h) appointing representatives to outside bodies unless the power of appointment has been delegated by the Council as part of the Executive arrangements;

- (i) adopting an allowances scheme for members under Article 2.5;
- (j) changing the name of the Council's area;
- (k) the conduct of elections, electoral registration, boundary/electoral reviews and associated matters, unless these have been delegated to officers under the Scheme of Delegation (see Part 9);
- (l) confirming the appointment of the Head of Paid Service; and designating the Chief Finance Officer and the Monitoring Officer.
- (m) making, amending, revoking, re-enacting or adopting bylaws and promoting or opposing the making of local legislation or personal Bills;
- (n) to consider reports on lawfulness and maladministration;
- (o) adopting a Code of Conduct for members;
- (p) matters relating to local government pensions;
- (q) all local choice functions set out in Part 3 of this Constitution which the Council decides should be undertaken by itself rather than the Cabinet; and
- (r) all other matters which, by law, must be reserved to Council.

4.5 Council Meetings

There are three types of Council meeting:

- (a) the annual meeting;
- (b) ordinary meetings;
- (c) extraordinary meetings.

and they will be conducted in accordance with the Council Procedure Rules in Part 4 of this Constitution.

4.6 Council Procedure

At Council meetings (including the Annual Council) the business of the Council will be conducted without any civic ceremony.

The Chair may wear the Chain of Office or badge at Council meetings if s/he so wishes.

The Chair will be seated at the start of the Council meeting and will call the proceedings to order.

There will be no prayers – but the Chair will ask for a period of silence before the meeting begins to enable councillors to focus their thoughts on the meeting or to pray silently.

The Chair will conduct Council meetings in accordance with the words and spirit of the Constitution; balancing the need to expedite business in an efficient and effective manner with the requirement to ensure full and adequate debate.

The Annual Council Meeting will be a business meeting without ceremony. At the start of the meeting, the Leader of the Council will give a brief speech thanking the outgoing Chair for his/her work on behalf of the Council. The outgoing Chair will give a brief speech in response. Once elected, the new Chair and Vice-Chair will then sign their declarations of acceptance of office without ceremony and the business of the Council will start immediately.

Article 5 – Chairing the Council

References:

Sections 3, 5, 245; schedule 2, 12; Local Government Act 1972

Schedule 3, Local Government Act 2000

Chapters 2, 4 and 9, DETR Guidance

5.1 The Role of the Chair of the Council

The Chair and Vice-Chair will be elected by the Council annually. The Chair and, in his/her absence, the Vice-Chair, will have the following responsibilities:

1. To Chair Council Meetings;
2. To focus his/her activities on the communities of the District (including communities of interest, as well as geographical ones) and, by focusing on the Council's priorities, strengthen links between those communities and the Council;
3. To act as an enabler and ambassador by arranging meetings between the Council and other parties for the benefit of the District.
4. To celebrate those people or groups in the District who do extraordinary things to help others in the community, and to recognise those whose everyday lives are a challenge but who succeed in spite of their difficulties;
5. To celebrate successes of partners involved in major projects with the Council, particularly projects steered by the voluntary sector;
6. To encourage activities that recognise and support staff, (eg the annual garden party).

Article 6 – Policy and Performance Advisory Committee

The Council will appoint a Policy and Performance Advisory Committee to undertake the dual roles of providing advisory input into key decisions to be made by the Cabinet and reviewing performance of services and projects against objectives.

In doing so, this Committee will discharge the overview and scrutiny functions conferred by section 21 of the Local Government Act 2000. In addition this Committee will undertake the role and discharge the functions conferred by sections 19 and 20 of the Police and Justice Act 2006, as amended by section 126 of the Local Government and Public Involvement in Health Act 2007, relating to scrutiny of the crime and disorder functions exercised by the Crime Reduction Partnership.

6.1 General Principles

The general principles of the Policy and Performance Advisory Committee shall be that it will:

- (a) provide meaningful input into the Cabinet's consideration of key matters for decision;
- (b) provide critical friend challenge to the Cabinet and/or other external partner organisations;
- (c) reflect the voice and concerns of the public and its communities;
- (d) take the lead and own the performance review process on behalf of the public;
- (e) make an impact on the delivery of public services.

6.2 General Role of Policy and Performance Advisory Committee

The Committee will:

- (a) provide commentary, advice and recommendations to the Cabinet on key matters due for decision;
- (b) hold the Cabinet and Cabinet Members to account by examining decisions about to be taken, taken but not yet implemented (call-in), and those that have been implemented (post-hoc review);
- (c) review general policies (especially those in the Policy Framework) and make suggestions for improving them;
- (d) contribute to continuous improvement in service delivery (through consideration of service delivery performance, participation in value for money reviews and investigation of budgets);

- (e) review and make recommendations relating to the discharge of non-executive (regulatory) functions;
- (f) consider and make recommendations to the Cabinet and/or Council (and relevant partner organisations) on any matters having a direct bearing on the economic, social or environmental well-being of the District's residents.

6.3 Specific Functions of the Policy and Performance Advisory Committee

a) Policy Development

The Committee may:

- (i) assist the Council and the Cabinet in the development of its budget and policy framework by in-depth analysis of policy issues;
- (ii) conduct research with the community on policy issues and possible options available to the Council;
- (iii) consider and implement mechanisms to encourage and enhance community participation in the development of policy options;
- (iv) assist the Cabinet in providing direct consultative input into individual matters due for decision; and
- (v) consult (or question) Cabinet Members, Committee members, Chief Officers and/or Heads of Service about their views on issues and proposals affecting the area.

b) Performance Review

The Committee may:

- (i) review and scrutinise the decisions made by the Cabinet, Cabinet Members, Committees, and/or officers both in relation to individual decisions and over time;
- (ii) review and scrutinise the performance of the Council in relation to its policy objectives, performance targets and/or particular service areas;
- (iii) question Cabinet Members and/or Committees, ward members, Chief Officers and/or Heads of Service about their decisions and performance, whether generally in comparison with service plans and targets over a period of time, or in relation to particular decisions, initiatives or projects;
- (iv) review and scrutinise the performance of other public bodies in the area or whose work impinges on the area and invite reports from them by requesting them to address the Committee and local people about their activities and performance; and
- (v) gather evidence from any person outside the Council (with their consent).

c) Other Key areas

The Committee:

- (i) may review and/or scrutinise the work of the Community Safety Partnership and the partners who comprise it insofar as their activities relate to their crime and disorder functions and make reports or recommendations to the Cabinet and/or Council and/or Community Safety partners as appropriate; and
- (ii) shall consider Councillor Calls for Action which are referred to it and which relate to local government and/or crime and disorder matters.

6.4 Work Programme

The Committee shall:

- (a) prepare an annual programme of work so as to ensure that the Committee's time is effectively and efficiently utilised.

The annual programme may include in its work programme a list of issues relating to crime and disorder matters providing these are first agreed with the relevant partners on the community safety partnership.
- (b) make in-year adjustments and additions to the annual programme in light of changing circumstances, subject to:
 - (i) there being no substantial addition to any resources to be called upon to undertake the programme;
 - (ii) the relevant Head of Service agreeing to any additional call upon staffing support; and
 - (iii) no additional costs arising which cannot be met from existing budgets unless approved by the virement procedures in the Financial Procedure Rules.
- (c) In determining the work programme the Committee shall have regard first and foremost to the following:
 - (i) Council priorities;
 - (ii) areas of improvement identified from the Council's corporate governance, performance management and/or data quality arrangements;
 - (iii) issues of public concern; and
 - (iv) issues of concern raised by Councillors.

6.5 Proceedings of Policy and Performance Advisory Committee

- (a) The Committee may establish "task-finish" panels to undertake any of its activities. It will determine their size and membership and approve their terms of reference.

The Committee may suggest the names of individuals that could become co-opted members of any panel and/or organisations that

might be invited to nominate representatives as possible co-opted members.

- (b) The Committee and Panels will conduct their proceedings in accordance with the Policy and Performance Advisory Procedure Rules set out in Part 4 of this Constitution.
- (c) When carrying out work relating to crime and disorder matters the Committee shall ensure the involvement of the police authority by
 - (i) inviting it to send a police authority member or the clerk or another officer of the police authority as an “expert adviser”; or
 - (ii) by co-opting a police authority member onto the Committee or Panel as appropriate;
- (d) The Committee may require information relating to local improvement targets from its relevant partner authorities in accordance with regulations made by the Secretary of State.
- (e) The Committee must consider community safety matters at least annually and may make reports or recommendations to the Cabinet, the Council or any Committee relating to the discharge of crime and disorder functions by:
 - (i) the District Council
 - (ii) the County Council
 - (iii) the Chief Officer of Police.

Any report or recommendation made by the Committee acting in this capacity must be circulated to the County Council and Chief Officer of Police, together with the Police Authority, Probation Committee, Health Authority and such other person or body as may be prescribed by order by the Secretary of State.

- (f) The Committee may make reports and recommendations arising from its work to the Cabinet, the Council, any Committee and/or any relevant partner authority.

Article 7 – The Executive i.e. the Cabinet

References:

Section 11 and schedule 1, paragraphs 1,2,3, Local Government Act 2000
Chapters 4, 14, and 15, DETR Guidance

7.1 Role

The Leader will carry out all of the council's functions which are not the responsibility of any other part of the council, whether by law or under this Constitution. The Leader may, if he/she wishes, delegate any of his/her powers to the Cabinet.

7.2 Form and Composition

The term "Cabinet" is used to describe the Leader together with such other councillors, appointed by the Leader to form the Cabinet.

7.3 Leader

The Leader will be a councillor elected to the position of Leader by the Council. The Leader will hold office for a four year period unless and until:

- (a) he/she resigns from the office; or
- (b) he/she is no longer a councillor; or
- (c) he/she is removed from office by a resolution of the Council.

7.4 Other Cabinet Members

Other Cabinet Members shall hold office unless and until:

- (a) they resign from office; or
- (b) they are no longer councillors; or
- (c) they are removed from office, either individually or collectively.

7.5 Proceedings of the Cabinet

Proceedings of the Cabinet shall take place in accordance with the Cabinet Procedure Rules set out in Part 4 of this Constitution.

7.6 Responsibility for Functions

The Leader will maintain a list in Part 3 of this Constitution setting out which individual Cabinet Members, committees of the Cabinet, officers or joint arrangements are responsible for the exercise of particular executive functions.

Article 8 – Regulatory and other committees

8.1 Regulatory and Other Committees

The Council will appoint the committees set out in the left hand column of the table Responsibility for Council Functions in Part 3 of this Constitution to discharge the functions described in column 3 of that table.

Article 9 – The Audit and Standards Committee

References:

~~Sections 53-55 and Sections 81(5), Local Government Act 2000~~
~~The Relevant Authorities (Standards Committee) Regulations 2001~~
Sections 101-102, Local Government Act 1972
Part 1, Chapter 7, Localism Act 2011

9.1 Audit and Standards Committee

The Council meeting will establish an Audit and Standards Committee.

9.2 Composition

a) Membership.

The Audit and Standards Committee will be composed of:

- seven councillors other than the Leader; (no more than one member of the Executive may be on the Committee).
- three co-opted non-voting town or parish members may participate in Standards, but not Audit, matters (if appointed).

b) Chairing the Committee.

The Chair shall be elected from a non-Cabinet member of the Minority Groups.

c) Independent Persons

Independent Persons appointed by the Council in accordance with the Localism Act 2011 shall have the right to attend, in an advisory, non-voting capacity, meetings of the Committee and any Panel established by the Committee for the purposes of dealing with matters relating to any Code of Conduct allegation against a member or co-opted member of the authority or of a town or parish council in the Council's area.

9.3 Role and Function

The Audit and Standards Committee will have the following Standards roles and functions:

- (a) promoting and maintaining high standards of conduct by councillors and co-opted members;
- (b) assisting the councillors and co-opted members to observe the Members' Code of Conduct;
- (c) advising the Council on the adoption or revision of the Members' Code of Conduct;
- (d) monitoring the operation of the Members' Code of Conduct;

- (e) advising, and or arranging to train councillors and co-opted members on matters relating to the Members' Code of Conduct;
- (f) granting dispensations to councillors and co-opted members from requirements relating to interests set out in the Members' Code of Conduct;
- (g) providing Sub-Committees to consider matters relating to the Members' Code of Conduct.
- (i) the exercise of (a) to (g) above in relation to the town and parish councils wholly or mainly in its area and the members of those town and parish councils.
- (j) overview of the whistle blowing policy.

Article 10 – Area Committees and Forums

10.1 Area Committees

The Council may appoint area committees as it sees fit, if it is satisfied that to do so will ensure improved service delivery in the context of best value and more efficient, transparent and accountable decision making.

The Council will consult with relevant town and parish councils and the chairmen of relevant parish meetings when considering whether and how to establish area committees.

Article 11 – Joint Arrangements

11.1 Arrangements to Promote Well Being

The Council and/or the Cabinet in order to promote the economic, social or environmental well-being of its area, may:

- (a) enter into arrangements or agreements with any person or body;
- (b) co-operate with, or facilitate or co-ordinate the activities of, any person or body; and
- (c) exercise on behalf of that person or body any functions of that person or body.

11.2 Joint Arrangements

- (a) The Council may establish joint arrangements with one or more local authorities and/or their Executives to exercise functions which are not executive functions in any of the participating authorities or advise the Council. Such arrangements may involve the appointment of a joint Committee with these other local authorities.
- (b) The Cabinet may establish joint arrangements with one or more local authorities to exercise functions which are executive functions. Such arrangements may involve the appointment of joint committees with these other local authorities.
- (c) Except as set out below, the Cabinet may only appoint Cabinet members to a joint committee and those members need not reflect the political composition of the local authority as a whole.
- (d) The Cabinet may appoint members to a joint committee from outside the Cabinet in the following circumstances:
 - the joint committee has functions for only part of the area of the authority, and that area is smaller than two-fifths of the authority by area or population. In such cases, the Cabinet may appoint to the joint committee any councillor who is a member for a ward which is wholly or partly contained within the area;
 - the joint committee is between a county council and the district council and relates to functions of the Executive of the county council. In such cases, the Executive of the county council may appoint to the joint committee any councillor who is a member for an electoral division which is wholly or partly contained within the area.

In both of these cases the political balance requirements do not apply to such appointments.

- (e) Details of any joint arrangements including any delegations to joint committees will be found in the Council's scheme of delegations in Part 3 of this Constitution.

11.3 Access to Information

- (a) The Access to Information Rules in Part 4 of this Constitution apply.
- (b) If all the members of a joint committee are members of the Executive in each of the participating authorities then its access to information regime is the same as that applied to the executive.
- (c) If the joint committee contains members who are not on the Executive of any participating authority then the access to information rules in Part VA of the Local Government Act 1972 will apply.

11.4 Delegation to and from Other Local Authorities

- (a) The Council may delegate non-executive functions to another local authority or, in certain circumstances, the Executive of another local authority.
- (b) The Cabinet may delegate executive functions to another local authority or the Executive of another local authority in certain circumstances.
- (c) The decision whether or not to accept such a delegation from another local authority shall be reserved to the Council meeting.

11.5 Contracting Out

The Council (for those functions which are not executive functions) and the Cabinet (for executive functions) may contract out to another body or organisation functions which may be exercised by an officer and which are subject to an order under section 70 of the Deregulation and Contracting Out Act 1994, or under contracting arrangements where the contractor acts as the Council's agent under usual contracting principles

Article 12 – Officers

References:

Chapters 8 and 9, DETR Guidance

12.1 Management Structure

a) General.

The Council may engage such staff (referred to as officers) as it considers necessary to carry out its functions.

b) Chief Officers.

The Council will engage persons for the following posts, who will be designated chief officers:

Post	Functions and areas of responsibility:
Chief Executive (and Head of Paid Service)	Provides overall strategic leadership of Lewes District Council in line with the policies and decisions of the elected Councillors. Provision of professional advice to all parties in the decision-making process. Responsibility for ensuring that the Council delivers quality services to Lewes's residents and visitors according to its statutory obligations and stated objectives and in line with Government legislation. Responsibility for legal, democratic services, local democracy and member services.
Director of Regeneration and Planning (and Deputy Chief Executive)	Responsibility for planning, assets and property, regeneration, energy and sustainability.
Director of Tourism and Enterprise	Responsibility for tourism, events, marketing, sports, seafront, cultural centre and the Eastbourne Devonshire Park facilities.
Director of Service Delivery	Responsibility for Service delivery, Customer First, EHL, Bereavement services, Waste services, strategic partnerships, voluntary sector, community engagement, town and parish liaison, community safety, community grants, youth strategy and equality.
Assistant Director of Human Resources and Transformation	Responsibility for human resources, organisational development, Chief Executive's Office, internal and external communications.

c) Head of paid service, Monitoring Officer and chief financial officer.

The Council will designate the following posts as shown:

Post	Designation
Chief Executive	Head of Paid Service
Head of Legal Services	Monitoring Officer
Director of Finance	Chief Finance Officer
Head of Finance	Deputy Chief Finance Officer

Such posts will have the functions described in Article 12.2–12.4 below.

d) Structure.

The head of paid service will determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.

This is set out at Part 8 of this Constitution.

12.2 Functions of the Head of Paid Service**a) Discharge of functions by the Council.**

The head of paid service will report to full Council on the manner in which the discharge of the Council's functions is co-ordinated, the number and grade of officers required for the discharge of functions and the organisation of officers.

b) Restrictions on posts.

The head of paid service may not be the Monitoring Officer but may hold the post of chief finance officer if a qualified accountant.

(References: Sections 4 and 5, Local Government and Housing Act 1989.)

12.3 Functions of the Monitoring Officer**a) Maintaining the Constitution.**

The Monitoring Officer will maintain an up-to-date version of the Constitution and will ensure that it is widely available for consultation by members, staff and the public.

b) Ensuring lawfulness and fairness of decision making.

After consulting with the head of paid service and chief finance officer, the Monitoring Officer will report to the full Council or to the Cabinet in relation to an executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any

decision or omission has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. (NB. Any unlawfulness/maladministration relating to a regulatory committee would generate a report to full council).

c) Supporting the Audit and Standards Committee.

The Monitoring Officer will contribute to the promotion and maintenance of high standards of conduct through provision of support to the Audit and Standards Committee.

d) Maintaining the Register of Members' Interests.

The Monitoring Officer will maintain a register of interests of Members and Co-opted Members of the Council and will ensure that it is available for public inspection and published on the Council's website. The Monitoring Officer will maintain a similar register of interests for Town and Parish Councils within the District including placing the register on that council's website if it has one. The Monitoring Officer will also maintain a register of pecuniary interests which are notified by a Member or Co-opted Member to the Monitoring Officer after arising and being declared at a meeting.

e) Conducting investigations.

The Monitoring Officer will conduct investigations into Code of Conduct matters and make reports or recommendations in respect of them to the Audit and Standards Committee.

f) Proper officer for access to information.

The Monitoring Officer will ensure that executive decisions, together with the reasons for those decisions and relevant officer reports and background papers are made publicly available as soon as possible and, wherever possible, within 10 working days.

g) Advising whether executive decisions are within the budget and policy framework.

The Monitoring Officer will advise whether decisions of the executive are in accordance with the budget and policy framework.

h) Providing advice.

The Monitoring Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors.

i) Restrictions on posts.

The Monitoring Officer cannot be the chief finance officer or the head of paid service.

References:

Section 5, Local Government and Housing Act 1989
Sections 60, 64–66, Local Government Act 2000
Chapters 8 and 9, DETR Guidance

12.4 Functions of the Chief Finance Officer

a) Ensuring lawfulness and financial prudence of decision making.

After consulting with the head of paid service and the Monitoring Officer, the chief finance officer will report to the full Council or to the Cabinet in relation to an executive function and the Council's external auditor if he or she considers that any proposal, decision or course of action will involve incurring unlawful expenditure, or is unlawful and is likely to cause a loss or deficiency or if the Council is about to enter an item of account unlawfully.

b) Administration of financial affairs.

The Chief Finance Officer will have responsibility the financial affairs of the Council.

c) Contributing to corporate management.

The Chief Finance Officer will contribute to the corporate management of the Council, in particular through the provision of professional financial advice.

d) Providing advice.

The Chief Finance Officer will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all councillors and will support and advise councillors and officers in their respective roles.

e) Give financial information.

The Chief Finance Officer will provide financial information to the media, members of the public and the community.

12.5 Duty to Provide Sufficient Resources to the Monitoring Officer and Chief Finance Officer

The Council will provide the Monitoring Officer and Chief Finance Officer with such officers, accommodation and other resources as are in those officers' opinions sufficient to allow their duties to be performed.

12.6 Conduct

Officers will comply with the Officers' Code of Conduct and the Protocol on Officer/Member Relations set out in Part 5 of this Constitution.

12.7 Employment

The recruitment, selection and dismissal of officers will comply with the Officer Employment Rules set out in Part 4 of this Constitution.

Article 13 – Decision Making

13.1 Responsibility for Decision Making

The Council will issue and keep up to date a record of what part of the Council or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions. This record is set out in Part 3 of this Constitution.

13.2 Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:

- (a) proportionality (i.e. the action must be proportionate to the desired outcome);
- (b) due consultation and the taking of professional advice from officers;
- (c) respect for human rights;
- (d) a presumption in favour of openness;
- (e) clarity of aims and desired outcomes; and
- (f) an explanation of what options were considered and the reasons for the decision will be included as part of the record of any decision.

13.3 Types of Decision

References:

Chapter 7, DETR Guidance

Regulations made under section 22, Local Government Act 2000

a) Decisions reserved to Full Council.

Decisions relating to the functions listed in Article 4.2 will be made by the full Council and not delegated.

b) Key decisions.

- (i) A key decision means an executive decision which is likely:
 - to result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or
 - to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the area of the local authority

- (ii) A decision taker may only make a key decision in accordance with the requirements of the Cabinet Procedure Rules set out in Part 4 of this Constitution.

13.4 Decision Making by the Full Council

Subject to Article 13.8, the Council meeting will follow the Council Procedure Rules set out in Part 4 of this Constitution when considering any matter.

13.5 Decision Making by the Cabinet

Subject to Article 13.8, the Cabinet will follow the Cabinet Procedure Rules set out in Part 4 of this Constitution when considering any matter.

13.6 Decision Making by the Policy and Performance Advisory Committee

The Policy and Performance Advisory Committee will follow the Policy and Performance Advisory Procedure Rules set out in Part 4 of this Constitution when considering any matter.

13.7 Decision Making by Other Committees and Sub-Committees Established by the Council

Subject to Article 13.8, other Council committees and sub-committees will follow those parts of the Council Procedure Rules set out in Part 4 of this Constitution as apply to them.

13.8 Decision Making by Council Bodies Acting as Tribunals

The Council, a councillor or an officer acting as a tribunal or in a quasi-judicial manner or determining/considering (other than for the purposes of giving advice) the civil rights and obligations or the criminal responsibility of any person will follow a proper procedure which accords with the requirements of natural justice and the right to a fair trial contained in Article 6 of the European Convention on Human Rights.

Article 14 – Finance, Contracts and Legal Matters

References:

Sections 135, 151, 223 & 234, Local Government Act 1972
Part VIII, Local Government Finance Act 1988

14.1 Financial Management

The management of the Council's financial affairs will be conducted in accordance with the financial rules set out in Part 4 of this Constitution.

14.2 Contracts

Every contract made by the Council will comply with the Contracts Procedure Rules set out in Part 4 of this Constitution.

Article 15 - Review and Revision of the Constitution

References:

Sections 30 and 37, Local Government Act 2000
Chapters 10 and 15, Guidance

15.1 Duty to Monitor and Review the Constitution

The Cabinet will monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.

15.2 Changes to the Constitution

a) Approval:

Changes to the Constitution will only be approved by the full Council unless stated otherwise.

b) Change from one form of executive to another:

The Council must take reasonable steps to consult with local electors and other interested persons in the area when drawing up proposals.

Article 16 – Suspension, Interpretation and Publication of the Constitution

16.1 Suspension of the Constitution

a) Limit to suspension.

The Articles of this Constitution may not be suspended. The Rules specified below may be suspended by the full Council to the extent permitted within those Rules and the law.

b) Procedure to suspend.

A motion to suspend any rules will not be moved without notice unless at least one half of the whole number of councillors are present. The extent and duration of suspension will be proportionate to the result to be achieved, taking account of the purposes of the Constitution set out in Article 1.

c) Rules capable of suspension.

The following Rules may be suspended in accordance with Article 16.1:

Council Procedure Rules

Executive Procedure Rules

Policy and Performance Advisory Procedure Rules

Financial Procedure Rules

Contracts Procedure Rules

16.2 Interpretation

The ruling of the Chair of the Council as to the construction or application of this Constitution or as to any proceedings of the Council shall not be challenged at any meeting of the Council. Such interpretation will have regard to the purposes of this Constitution contained in Article 1.

16.3 Publication

- (a) The Council's senior legal officer will make available a copy of this Constitution, either electronically or in hard copy if requested, to each councillor (and co-opted member) of the Council upon delivery to him/her of that individual's declaration of acceptance of office on the councillor first being elected to the Council.
- (b) The Council's senior legal officer will ensure that copies are available for inspection at council offices and other appropriate locations and can be purchased by members of the local press and the public on payment of a reasonable fee.
- (c) The Council's senior legal officer will ensure that the summary of the Constitution is made widely available within the area and is updated as necessary.

Article 17 - Position of Leader

17.1 Leader of the Council

The position of Leader of the Council is defined in Article 7.3.

17.2 Leaders of the Minority Groups

The members chosen by the largest political groups on the Council not forming part of the Administration shall be known as the Leaders of the Minority Groups. Those councillor's names when so appointed shall be notified to the Council's senior legal officer and reported to the Council. The Groups shall be known as the Minority Groups.

17.3 Leader of Any Other Political Group

Any other political group may, if it so wishes, appoint a Leader and that councillor's name shall be notified to the Council's senior legal officer and reported to the Council.

Schedule 1: Description of Executive Arrangements

The following parts of this Constitution constitute the Executive arrangements:

- 1 Article 6 - Policy and Performance Advisory Procedure Rule.
 - 2 Article 7 - The Cabinet and the Cabinet Procedure Rules.
 - 3 Article 10 - Area Committees and Forums if and when they are established and only insofar as functions are delegated to them by the Cabinet.
 - 4 Article 11 - Joint arrangements if and when they are established and only insofar as functions are delegated to them by the Cabinet.
 - 5 Article 13 - Decision making and the Access Information Procedure Rules.
 - 6 Part 3 - Responsibility for Functions.
-

Appendix 3



Lewes District Council

Arrangements for dealing with complaints about councillor conduct

These arrangements set out how you may make a complaint that an elected or co-opted member of this authority or of a Town/Parish Council in its area has failed to comply with the authority's Code of Conduct, and sets out how the authority will deal with allegations of a failure to comply with the authority's Code of Conduct.

The Council must have in place arrangements under which allegations that a member or co-opted member of the authority (or of a Town/Parish Council within the authority's area) has failed to comply with that authority's Code of Conduct can be investigated and decisions made on such allegations.

Such arrangements must provide for the authority to appoint at least one Independent Person, whose views must be sought by the authority before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the authority at any other stage, or by a member (or a member or co-opted member of a Town/Parish Council) against whom an allegation has been made.

The Code of Conduct

The Council has adopted a Code of Conduct for members, which you can find on the Council's website under ['Constitutions'](#).

Each Town/Parish Council must also adopt a Code of Conduct. If you wish to inspect a Town/Parish Code of Conduct, you should find it on the website operated by the council in question or you could ask the town/parish clerk to send you a copy.

Making a complaint

If you wish to make a complaint, please write to –

The Monitoring Officer
Lewes and Eastbourne Councils
Town Hall
Grove Road
Eastbourne
BN21 4UG

Or email committees@lewes-eastbourne.gov.uk



Lewes District Council

The Monitoring Officer (MO) is a senior officer of the authority who has statutory responsibility for maintaining the register of members' interests and who is responsible for administering the system in respect of complaints of member misconduct.

In order to ensure that we have all the information which we need to be able to process your complaint, please complete and send us the complaint form which you can find [here](#).

Please provide us with your name and a contact address or email address, so that we can acknowledge receipt of your complaint and keep you informed of its progress. If you want to keep your name and address confidential, please indicate this and your reasons in the space provided on the complaint form, and the MO will consider your request. The complaint form describes in more detail the circumstances in which it may be appropriate to withhold your identity from other parties. The authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

For any or all aspects of the complaint handling process, the MO may delegate his/her functions to the Deputy Monitoring Officer or to another suitably qualified officer of the authority.

Initial Assessment

The MO will review every complaint received and, after consultation with the Independent Person¹, take a decision as to whether it merits formal investigation. This decision will normally be taken within 14 days of receipt of your complaint.

Will your complaint be formally investigated?

The MO will assess whether your complaint **can** and **should** be formally investigated.

1. **Can** we investigate your complaint?

- Is the person you are complaining about a councillor?
- Does the complaint relate to their conduct when acting in their official capacity as a councillor?
- Does the complaint relate to something covered by the Council's Code of Conduct for Members?

¹ The Independent Person is a statutory appointment under section 28 of the Localism Act 2011, whose role includes advising the MO and the authority on matters concerning the conduct of members.



2. **Should** we investigate your complaint?

- Is it trivial, minor, vexatious, malicious or politically motivated?
- Is there sufficient evidence to support the complaint?
- Did the alleged conduct occur in the recent past?
- Is it amenable to informal resolution?
- Would an investigation be proportionate and in the public interest?

Public interest factors would include:

- (i) the seriousness of the alleged conduct
- (ii) whether the alleged conduct appears premeditated
- (iii) the extent to which the councillor appears to have benefited from the conduct and/or the degree of harm done to the complainant
- (iv) the effect of any physical or mental condition experienced by the councillor at the time
- (v) whether the person complained about is no longer a councillor
- (vi) whether the conduct could undermine public confidence in local government and democracy
- (vii) whether the time, effort and cost of a formal investigation would be in proportion to any of the factors listed at (i) to (vii) above.

The factors at paragraphs 1 and 2 above are not intended to be exhaustive and the MO may decide that a complaint does not merit formal investigation for any other reason which appears to him/her to be relevant. The MO has discretion to refer the decision as to whether a complaint merits an investigation to the Standards Panel if it appears appropriate to do so.

Where he/she requires additional information in order to come to a decision, he/she may come back to you for such information, and may request information from the member against whom your complaint is directed. In appropriate cases, the MO may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the authority. Where the member or the authority make a reasonable offer of informal resolution, but you are not willing to accept that offer, the MO will take account of this in deciding whether the complaint merits formal investigation.

If your complaint identifies criminal conduct or breach of other regulation by any person, the MO has the power to call in the Police and other regulatory agencies.



Formal Investigation

If the MO decides that a complaint merits formal investigation, he/she will appoint an Investigating Officer, who may be another senior officer of the authority, an officer of another authority or an external investigator. The Investigating Officer will decide whether he/she needs to meet or speak to you to understand the nature of your complaint and so that you can explain your understanding of events and suggest what documents the Investigating Officer needs to see, and who the Investigating Officer needs to interview.

The Investigating Officer will normally write to the member against whom you have complained and provide him/her with a copy of your complaint, and ask the member to provide his/her explanation of events, and to identify what documents he needs to see and who he needs to interview.

At the end of his/her investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to you and to the member concerned, to give you both an opportunity to identify any matter in that draft report which you disagree with or which you consider requires more consideration.

Having received and taken account of any comments which you may make on the draft report, the Investigating Officer will send his/her final report to the MO.

A more detailed description of the investigation procedure can be found [here](#).

What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?

The MO will review the Investigating Officer's report and, if he/she is satisfied that the Investigating Officer's report is sufficient, the MO will write to you and to the member concerned, and to the Town/Parish Council, where your complaints relates to a Town/Parish councillor, notifying you that he/she is satisfied that no further action is required, and give you both a copy of the Investigating Officer's final report. If the MO is not satisfied that the investigation has been conducted properly, he/she may ask the Investigating Officer to reconsider his/her report.

What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?

Appendix 3



Lewes District Council

The MO will review the Investigating Officer's report and will then either send the matter for a Standards Panel hearing or, after consulting the Independent Person, seek informal resolution.

Informal Resolution

The MO may consider that the matter can reasonably be resolved without the need for a hearing. In such a case, he/she will consult with the Independent Person and with you as complainant and seek to agree what you consider to be a fair resolution which also helps to ensure higher standards of conduct for the future. Such resolution may include the member accepting that his/her conduct was unacceptable and offering an apology, and/or other remedial action by the authority. If the member complies with the suggested resolution, the MO will report the matter to the Audit and Standards Committee (and the Town/Parish Council if appropriate) for information, but will take no further action. However, if you tell the MO that any suggested resolution would not be adequate, the MO may refer the matter for a Standards Panel hearing.

Standards Panel Hearing

If the MO considers that informal resolution is not appropriate, or you are not satisfied by the proposed resolution, or the member concerned is not prepared to undertake any proposed remedial action, such as giving an apology, then the MO may report the Investigating Officer's report to the Standards Panel (a sub-committee of the Council's Audit and Standards Committee) which will conduct a hearing before deciding whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.

The Council has agreed a [procedure for Standards Panel hearings](#), which in summary provides the following:

The MO will conduct a "pre-hearing process", requiring the member to give his/her response to the Investigating Officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the hearing, and the Chair of the Standards Panel may issue directions as to the manner in which the hearing will be conducted. At the hearing, the Investigating Officer will present his/her report, call such witnesses as he/she considers necessary and make representations to substantiate his/her conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask you as the complainant to attend and give evidence to the Panel. The member will then have an opportunity to give his/her evidence, to call witnesses and to make representations to the Panel as to why he/she considers that he/she did not fail to comply with the Code of Conduct.

Appendix 3



Lewes District Council

The Panel must take into account the views of the Independent Person before it makes a decision on the alleged breach of the Code.

The Panel may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint. If the Panel concludes that the

member did fail to comply with the Code of Conduct, the Chair will inform the member of this finding and the Panel will then consider what action, if any, it should take as a result of the member's failure to comply with the Code of Conduct. In doing this, the Panel will give the member an opportunity to make representations to the Panel and will consult the Independent Person, but will then decide what action, if any, to take in respect of the matter.

What action can the Standards Panel take where a member has failed to comply with the Code of Conduct?

The Standards Panel may take one or more of the following measures in respect of a member found to have failed to comply with the Code of Conduct:

1. Publish its findings in respect of the member's conduct.
2. Write a formal letter to the member found to have breached the code.
3. Report its findings to Council or to the Town/Parish Council for information.
4. Seek formal censure through a motion at Council.
5. Recommend to the member's Group Leader (or in the case of ungrouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council.
6. Recommend to the Leader of the Council that the member be removed from the Cabinet, or removed from particular Portfolio responsibilities.
7. Instruct the MO or recommend that the Town/Parish Council arrange training, mediation or other appropriate course of action, for the member.
8. Recommend to Council, or to the Town/Parish Council (if applicable), that the member be removed from some/all outside appointments to which he/she has been appointed or nominated by the authority or by the Town/Parish Council.

The Standards Panel has no power to suspend or disqualify the member or to withdraw members' special responsibility allowances.



What happens at the end of the hearing?

At the end of the hearing, the Chair will state the decision of the Standards Panel as to whether the member failed to comply with the Code of Conduct and as to any actions which the Standards Panel resolves to take.

As soon as reasonably practicable thereafter, the MO shall prepare a formal decision notice in consultation with the Chair of the Panel, and send a copy to you and to the member, and to the Town/Parish Council (if applicable), and make the decision notice available for public inspection.

Revision of these arrangements

The Council may by resolution agree to amend these arrangements, and has delegated to the Chair of the Standards Panel the right to depart from these arrangements where he/she considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

Appeals

There is no internal right of appeal for you as complainant or for the member against a decision of the MO or of the Standards Panel.

If you feel that the authority has failed to deal with your complaint properly, you may make a complaint to the Local Government and Social Care Ombudsman.

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Report to:	Audit and Standards Committee
Date:	26 July 2021
Title:	Treasury Management Annual Report 2020/21 and latest TM Monitoring
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To present the Annual Treasury Management Report for 2020/21 and the latest Monitoring Report
Officer recommendation(s):	<p>(1) To note the Annual Treasury Management report for 2020/21.</p> <p>(2) To note the 2020/21 Prudential and Treasury Indicators included in the report.</p> <p>(3) To note that the Treasury Management activities for the period starting from 1 March to 31 March 2021 has been in accordance with the approved Treasury Strategies for that period.</p>
Reasons for recommendations:	Requirement of CIPFA Treasury Management in the Public Sector Code of Practice (the Code) and this has to be reported to Full Council.
Contact Officer(s):	Name: Ola Owolabi Post title: Deputy Chief Finance Officer E-mail: ola.owolabi@lewes-eastbourne.gov.uk Telephone number: 01273 485083

1 Introduction

- 1.1 The Council is required, under the Local Government Act 2003, to produce an annual review of Treasury Management activities and the actual prudential and treasury indicators for 2020/21. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2020/21, the Full Council received the annual Treasury Management Strategy Statement (TMSS), whilst Cabinet were presented with the 2020/21 Treasury Management Update Report in relation to the sources and methods of borrowing and approved organisations for lending temporarily surplus funds.

1.3 The regulatory environment places responsibility on Members for the review and scrutiny of TM policy and activities. This report is therefore important, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members. This report was considered by the Cabinet at its 8 July 2021 meeting, and has been recommended for approval to Full Council in September.

2 Treasury Management 2020/21

2.1 Treasury Management is an integral part of the Council's overall finances and the performance of this area is very important. Whilst individual years obviously matter, performance is best viewed on a medium/long term basis. The action taken in respect of the debt portfolio in recent years has been extremely beneficial and has resulted in savings. Short term gains might, on occasions, be sacrificed for longer term certainty and stability.

2.2 The criteria for lending to Banks are derived from the list of approved counter parties provided by the Council's Treasury Management advisors, Link Asset Services. The list is amended to reduce the risk to the Council by removing the lowest rated counterparties and reducing the maximum loan duration.

2.3 During the year some outstanding other authorities' loans were repaid on time with the interest due. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic which caused the Monetary Policy Committee to cut Bank Rate in March 2020, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy.

2.4 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with significant amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied significant amounts of finance to local authorities to pass on to businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demanded to borrow, with the consequent effect that investment earnings rates plummeted.

2.5 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.

2.6 On the debt portfolio, no new loans were taken, and external debt is around £56.673m. The MTFs 2020-21 capital programme includes a funding requirement of £88.9m to be funded from borrowing. However, due to the strength of the Council's balance sheet, it is expected to be possible to use internal balances to fund this on a temporary basis instead of raising new loans.

2.7 The loan portfolio has produced a level of performance in the period in which performance figures have been calculated. Adding significant value in a period of extremely low interest rates is very difficult. Given that interest rates are unlikely to rise for the next two years, low levels of returns are likely to continue and the cost of getting investment decisions wrong is unlikely to be significant. The overall position as at 31 March 2021 are detailed within the attached **Appendix A**.

3 Latest Treasury Management Activity

3.1 The timetable for reporting Treasury Management activity in 2020/21 and 2021/22 are shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Standards Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
26 July 2021	2020/21 Annual Report (incl. 1 March to 31 March 2021)
14 September 2021	1 April to 30 July 2021
16 November 2021	1 August to 31 October 2021
18 January 2022	1 November to 31 December 2021
8 March 2022	1 January to 28 February 2022

3.2 Fixed Term Deposits pending maturity.

The following table shows the fixed term deposits held at 31 March 2021 and identifies the long-term credit rating of counterparties at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All the deposits met the necessary criteria the minimum rating required for deposits made after 1 April 2018 is long term A- (Fitch).

Ref	Counterparty	Date From	Date To	Days	Principal £	Int Rate %	Long-term Rating
249231	Surrey County Council	08 Mar 21	08 Apr 21	31	5,000,000	0.05	*
*UK Government body and therefore not subject to credit rating							

3.3 Fixed Term Deposits which have matured in the reporting period.

The table below shows the fixed term deposits which have matured since 1 March 2021, in maturity date order. It is important to note that the table includes sums reinvested and that in total the Council's investments have not increased by £5m over this period.

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
249221	Kirklees Council	17 Feb 21	26 Mar 21	37	5,000,000	0.01%	*
	Total				5,000,000		

Ref	Counterparty	Date From	Date To	Days	Principal £	Int. Rate %	Long-term rating
	*UK Government body and therefore not subject to credit rating						

At no stage did the total amount held by any counterparty exceed the approved limit set out in the Investment Strategy. The average rate of interest earned on deposits held in the period 1 March and 31 March 2021 was 0.07%, below the average bank base rate for the period of 0.10%.

3.4 Use of Deposit accounts

In addition to the fixed term deposits, the Council has made use of the following interest bearing accounts in the period covered by this report, with the average amount held being £2.611m generating interest of approximately £0.3k.

	Balance at 31 March '21 £'000	Average balance £'000	Current interest rate %
Santander Business Reserve Account	£5,000	4,774	0.08
Lloyds Bank Corporate Account	£1,551	2,032	0.00
Lloyds Bank Call Account	£3,010	1,026	0.01

3.5 Use of Money Market Funds

Details of the amounts held in the two Money Market Fund (MMF) accounts used by the Council are shown below. The approved Investment Strategy allows a maximum investment of £10m in each fund, and at no time was this limit exceeded.

	Balance at 31 March '21 £'000	Average balance £'000	Average return %
Goldman Sachs Sterling Liquid Reserves Fund	£0,000	1,516	0.00
Deutsche Managed Sterling Fund	£0,010	1,807	0.00

3.6 Treasury Bills (T-Bills)

There were no Treasury Bills held at 31 March 2021, and there was no activity in the period.

3.7 Secured Investments

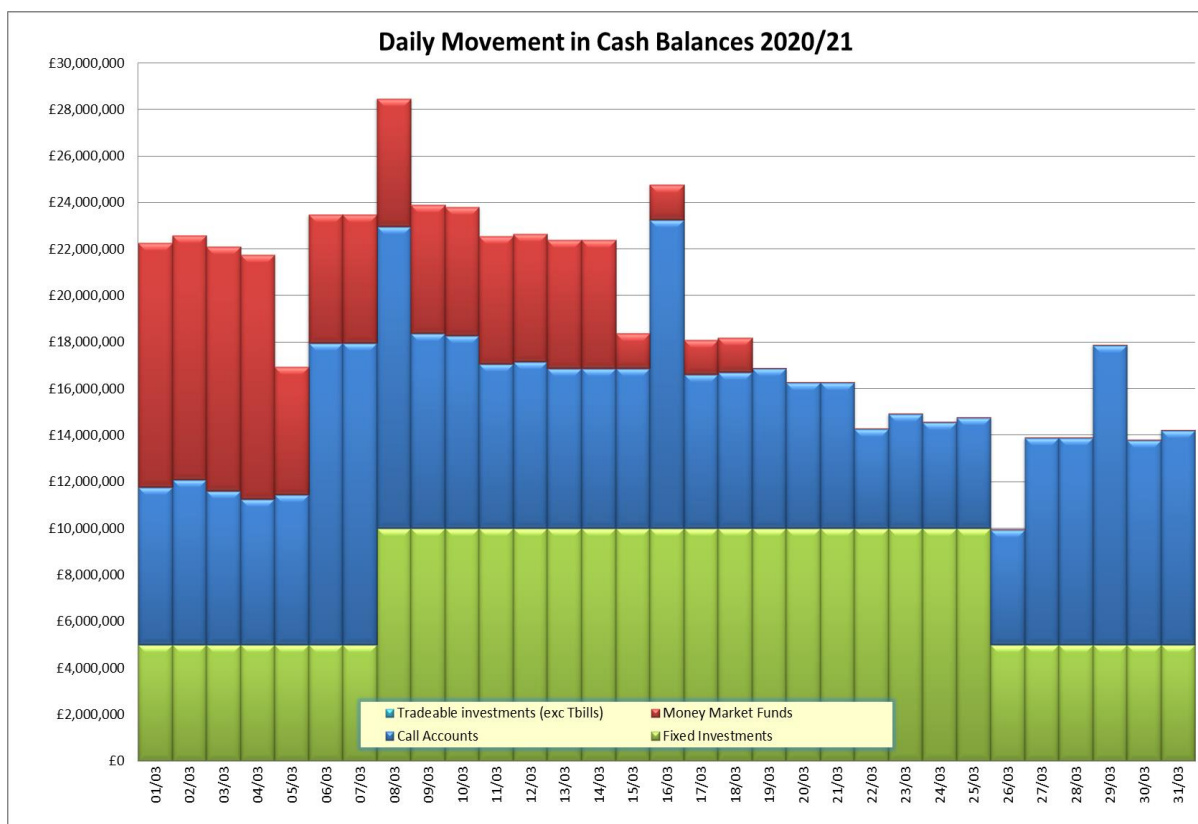
There were no Secured Investments at 31 March 2021.

3.8 Tradeable Investments

There were no Tradeable Investments at 31 March 2021, and there was no activity in the period.

3.9 Overall investment position

The chart below summarises the Council’s investment position over the period 1 March to 31 March 2021. It shows the total sums invested each day as Fixed Term deposits, Treasury Bills, amounts held in Deposit accounts, Money Market Funds and Tradeable Investments.

















3.10 Borrowing

The current account with Lloyds Bank remained in credit throughout the period. No temporary borrowing for cash-flow management purposes took place. There has been no change in the total value of the Council’s long term borrowing in the reporting period, which remains at £56.673m.

4. Compliance with Treasury and Prudential Limits

4.1 It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council’s approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS.

4.2 As at 31 March 2021, 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.

Treasury Prudential Indicators	2020/21 Estimate	2020/21 Actual	RAG Status
Authorised limit for external debt (CS 4.2.4)	£132.0m	£132.0m	
Operational boundary for external debt (CS 4.2.4)	£122.0m	£122.0m	
Gross external debt (CS 4.2.2)	£88.9m	£56.7m	
Capital Financing Requirement (GF & HRA)	£113.8m	£88.9m	
Debt vs CFR under/(over) borrowing	£24.9m	£32.2m	
<i>Investments</i>			
Investment returns expectations	0.65	0.07	
Upper limit for principal sums invested for longer than 365 days			
<i>Maturity structure of fixed rate borrowing - upper limits:</i>			
Under 12 months	75%	75%	
12 months to 2 years	75%	75%	
2 years to 5 years	75%	75%	
5 years to 10 years	100%	100%	
10 years and above	100%	100%	
Capital expenditure (CS 2.1.4)	£44.6m	£14.4m	
<i>Ratio of financing costs to net revenue stream (CS 8.1.1):</i>			
Proportion of Financing Costs to Net Revenue Stream (General Fund)	3.94%	3.90%	
Proportion of Financing Costs to Net Revenue Stream (HRA)	11.03%	10.33%	

Key: CS – 2020/21 Capital Strategy Appendix 1

5. Non-treasury investments

5.1 At its previous meeting, the Committee requested that information should be included in this report about the Council's 'non-treasury' investment activity e.g. loans to Council-owned companies or the purchase of property assets for the purpose of income generation.

5.2 Lewes Housing Investment Company

5.2.1 Lewes Housing Investment Company (LHIC) is a wholly owned subsidiary of the Council. Incorporated in July 2017, LHIC was established to acquire, improve, and let residential property at market rents. A capital

allocation of £2.5m was approved as potential commercial loan funding to facilitate property purchases. At 31 March 2021, a total of £1,065 has been drawn down. The balance has been rolled forward into 2021/22. There have been no transactions during the period 1 April 2021 to 30 June 2021.

5.3 Aspiration Homes LLP

5.3.1 Aspiration Homes LLP (AH) is a limited liability Partnership owned equally by Lewes District Council and Eastbourne Borough Council. Incorporated in June 2017, AH was established for the purpose of developing housing to be let at affordable rent. A capital allocation of £17.5m was approved as potential commercial loan funding to AH to facilitate property purchases. At 31 March 2021, a total of £912,910 (net of grant) has been drawn down for the purchase of Gray's School, Newhaven. There has been a further drawdown of £789,016 during the period 1 April 2021 to 30 June 2021, making a total drawdown of £1,701,926. The balance has been rolled forward into 2021/22.

5.3.2 A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2021, £20,000 of the working Capital facility loan had been drawn down. There have been no transactions during the period 1 April 2021 to 30 June 2021.

6. Annual Treasury Management Report

6.1 As well as reviewing details of Treasury transactions during the course of the year, the Audit and Standards Committee is required to review a formal summary report after the year-end before it is considered by Council in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.

6.2 The Annual Report is attached at Appendix 1. It should be noted that this report has been drafted prior to the final audit of the Council's accounts and, as a result, some minor changes may be necessary. If so, the changes will be reported verbally at the meeting.

7. Coronavirus Impact

7.1 The full extent of the impact from Coronavirus continue to be assessed and analysed. However, the immediate risk to the financial markets coupled with additional burdens on Council spending and uncertainty over funding have increased the need to manage larger cash balances. The projection of gradual rises in interest rates that formed the Bank of England Monetary Policy Committee's guidance at the start of the period eased through the year.

7.2 As the Council's borrowing rates are directly linked to market expectations this gives rise to the potential that our borrowing rates will remain close to all-time lows for some time. With the Council's Capital Programme and re-financing commitments over the next few years, our ability to secure good value in our borrowing has significant implications for the spending plans of Council as a whole.

8. Climate change and environmental implications

8.1 Treasury management is a Council-wide function and its climate change, environmental and sustainability implications are the same as for the Council itself. The Council and its Treasury Management Advisors have regard to the environmental activities of its Counterparties (where reported) but: -

- Prioritises Security, Liquidity and Yield.
- Recognises that as large global institutions, our high-quality counterparties operate across the full range of marketplaces in which they are legally able to, and as a result climate change considerations are an increasingly important and heavily-scrutinised part of their overall business.
- Excluding any one counterparty will likely mean others will similarly have to be avoided and thus impact the Council's capacity to mitigate risk through diversification.

2021/22 Environmental, Social and Governance (ESG) – updates.

8.2 The Cabinet at its meeting on 4 February 2021 approved the 2021/22 Treasury Management and Investment Strategy, which include Non-Specified investments in Green Energy Bonds and/or other ESG products that met the Council's internal and external due diligence criteria. Following this meeting, the Council external treasury management advisors (Link Asset Services) has been requested to conduct a review looking into what potential investment options would be available to the Council that would fulfil the Council's objective of supporting climate related activities including investing with regard to Environmental, Social and Governance concerns (ESG).

8.3 In terms of typical local authority investments, there is not a wide range of products in this area at the moment, although we expect to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent the council will continue to monitor it and make best use of ESG opportunities when they become available within the parameters of the Council's counterparty criteria and the requirement of the MHCLG Investment Guidance to prioritise security, liquidity before yield in that order of importance.

9 Financial Implications

9.1 All relevant implications are referred to in the above paragraphs.

10. Risk Management Implications

10.1 The risk management implication associated with this activity is explained in the approved Treasury Management Strategy. No additional implications have arisen during the period covered by this report.

11 Equality Screening

11.1 This is a routine report for which detailed Equality Analysis is not required to be undertaken.

12 Legal Implications

12.1 None arising from this report.

13 Appendices

13.1 Appendix A: Annual Treasury Management Report 2020/21

14. Background Papers

14.1 Treasury Management Strategy Statements 2020/21

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Lewes District Council

Annual Treasury Management Report 2020/21

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1. Background

- 1.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual treasury management report. The report must review treasury management activities and set out the final position of the Council's Treasury Prudential Indicators. This report meets the requirements of both the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 1.2 The Council defines its Treasury Management activities as:
- “the management of the Council’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.”*
- 1.3 The Council agreed its Treasury Management Strategy Statement and Investment Strategy 2020/21 to 2022/23 at its meeting in February 2020. The Council has substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remain central to the Council's treasury management strategy.
- 1.4 The Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments.

2. Overall Summary of Activity 2020/21

- 2.1 The table below lists the key elements of the 2020/21 Strategy and records actual performance against each one of them.

Key Element	Target in Strategy	Actual Performance	
Borrowing			
Underlying need to borrow (CFR) at year end	£88.300 million	£89.931 million	-
Internal borrowing at year end	£31.627 million	£33.258 million	-
New external long-term borrowing in year	None anticipated	None undertaken	✓
Debt rescheduling in year	Review options but not anticipated	Options kept under review, none undertaken	✓
Interest payments on external borrowing	£1.7 million	£1.78 million	✓
Investments			
Minimum counterparty credit ratings for unsecured investments	Long-term BBB+- (does not apply to Government and other local authorities which have the highest ratings)	At least Long-term A	✓
Interest receipts from external investments	£0.100m	£0.012 m	✓
Appointment of Investment Consultants			

Key Element	Target in Strategy	Actual Performance	
Independent Treasury Adviser to be retained	Link Treasury Services Limited retained as Treasury Adviser	Link Treasury Services Limited retained as Treasury Adviser	✓
Reporting and Training			
Reports to be made to Audit and Standards Committee and Cabinet	Every regular meeting	Every regular meeting.	✓
Briefing sessions for Councillors and Staff	Treasury Adviser to provide	Staff training 21 October 2020	✓

2.2 The remainder of this report explores each of the key elements in more depth. Appendix A gives details of the final position on each of the Prudential Indicators, and Appendix B explores the Economic Background to the year's activity. A glossary appears at the end of the document to explain technical terms which could not be avoided when writing this report.

3. Detailed Analysis – Borrowing

3.1 During 2020/21, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were very low and minimising counterparty risk on placing investments also needed to be considered.

3.2 A cost of carry remained during the year on any new long-term borrowing that was not immediately used to finance capital expenditure, as it would have caused a temporary increase in cash balances; this would have incurred a revenue cost – the difference between (higher) borrowing costs and (lower) investment returns.

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

3.4 Against this background and the risks within the economic forecast, caution was adopted with the treasury operations. The Chief Finance Officer therefore monitored interest rates in financial markets and adopted a pragmatic strategy based upon the following principles to manage interest rate risks:

- if it had been felt that there was a significant risk of a sharp FALL in long and short term rates, (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings would have been postponed, and potential rescheduling from fixed rate funding into short term borrowing would have been considered.
- if it had been felt that there was a significant risk of a much sharper RISE in long and short term rates than initially expected, perhaps arising from an acceleration in the start date and in the rate of increase in central rates in the USA and UK, an increase in world economic activity or a sudden increase in inflation risks, then the

portfolio position would have been re-appraised. Most likely, fixed rate funding would have been drawn whilst interest rates were lower than they were projected to be in the next few years.

- 3.5 In accounting terms, the underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR) while usable reserves and working capital are the underlying resources available for investment.
- 3.6 The CFR is, in simple terms, the amount of capital expenditure which has been incurred by the Council but which has not yet been paid for (by using, for example, grants, capital receipts, reserves or revenue income) and in the meantime is covered by internal or external borrowing. 'External borrowing' is where loans are raised from the Public Works Loans Board (PWLB) or banks. Alternatively, it is possible to 'internally borrow' the significant levels of cash which has been set aside in Balances and Reserves and which would otherwise need to be invested with banks or other counterparties.
- 3.7 As noted above, the level of CFR increases each year by the amount of unfinanced capital expenditure and is reduced by the amount that the Council sets aside for the repayment of borrowing. The original CFR projection for 2020/21, the revised position reported at the time of producing the Treasury Strategy 2021/22 (February 2021) and the final position for the year are shown in the table below. The variation between the revised and final position reflects the changing profile of capital spend across financial years, particularly allocations in the capital programme in respect of facilitating loans to Lewes Housing investment Company, and Aspiration Homes LLP.

	2020/21 Original £m	2020/21 Revised £m	2020/21 Outturn £m
Opening CFR	87.000	84.600	85.423
Capital expenditure in year	44.600	22.700	14.429
Less financed	(17.500)	(18.500)	(9.345)
Less amount set aside for debt repayment	(0.300)	(0.500)	(0.576)
Closing CFR	113.800	88.300	89.931

- 3.8 The overall CFR can be split between the General Fund and the Housing Revenue Account as follows:

	2020/21 Revised £m	2020/21 Outturn £m
CFR Component	£m	£m
General Fund	21.000	18.382
Housing Revenue Account	67.300	71.549
Total	88.300	89.931

- 3.9 The following table compares the CFR with the amount that the Council holds in balances and reserves as well as working capital (day to day cash movements as well as grants, developer contributions and capital receipts held, pending their use).

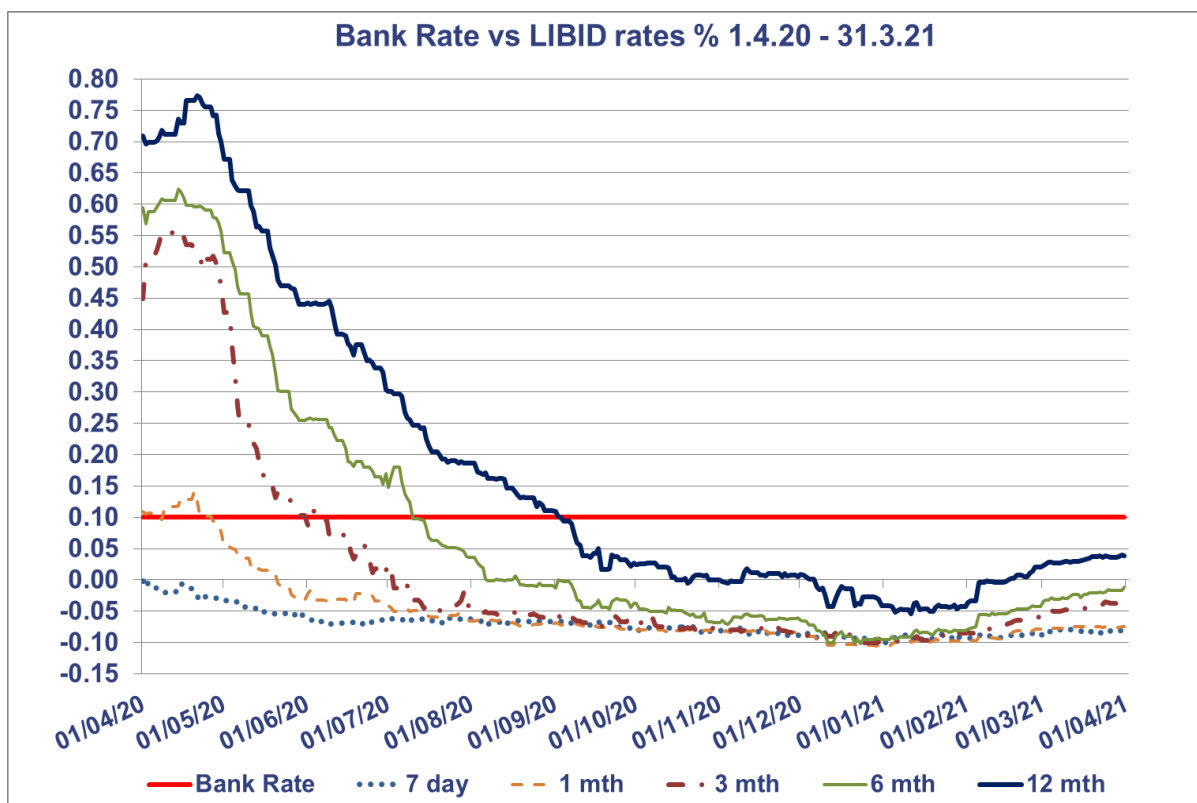
3.10 The Council's long-term loan portfolio at 31 March 2021 was:

Lender	Interest	Amount £m	Rate %	Maturity
PWLB	Fixed	4.000	2.70	01-03-2024
PWLB	Fixed	5.000	3.30	01-03-2032
PWLB	Fixed	2.000	3.05	01-09-2027
PWLB	Fixed	2.000	2.76	01-09-2024
PWLB	Fixed	4.000	2.97	01-09-2026
PWLB	Fixed	5.000	3.28	01-09-2031
PWLB	Fixed	4.000	2.63	01-09-2023
PWLB	Fixed	5.000	3.44	01-03-2037
PWLB	Fixed	6.673	3.50	01-03-2042
PWLB	Fixed	5.000	3.43	01-09-2036
PWLB	Variable	5.000	0.23	28-03-2022
PWLB	Fixed	4.000	3.01	01-03-2027
	Sub-total	51.673		
Barclays	Fixed	5.000	4.50	06-04-2054
	Sub-total	5.000		
	Total	56.673		

- 3.11 The Council's objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective.
- 3.12 In the table above the Barclays loan was taken out in April 2004 with a term of 50 years. In June 2016, the bank decided to permanently waive its contractual right to vary the interest rate on this loan, which was effectively fixed at the rate of interest applicable at that time, 4.5%.
- 3.13 Total interest paid on external long-term borrowing in the year was £1.78m, which was consistent with the revised budget for the year. No new long-term borrowing was undertaken. The Council remained eligible to access the Government's 'Certainty Rate' allowing the Council to borrow, had it been appropriate to do so, at a reduction of 0.2% on the Standard Rate.
- 3.14 Through the year, officers, supported by Link Treasury Services Limited, monitored opportunities for the rescheduling of external loans and the possibility of repayment utilising cash balances that would otherwise be invested. No beneficial rescheduling opportunities were identified, and the loan portfolio remained unchanged through the year.
- 3.15 As determined by the Council, two separate Loans Pools operated in 2020/21, for the General Fund and HRA, respectively. At 31 March 2021 the balance on internal loans from the General Fund to the Housing Revenue Account (HRA) was £14.876m, an increase of £4.202m compared with the previous year, which comprised new lending as funding for the construction of new homes. Interest was charged on internal borrowing at 2.09% (equivalent to a one-year maturity loan from the PWLB at the start of the financial year).
- 3.16 No temporary borrowing was undertaken during the course of the financial year and consequently, there were no temporary loans outstanding at 31 March 2021.

4. Detailed Analysis - Investments

- 4.1 In a relatively short period since the onset of the COVID-19 pandemic, the global economic fallout was sharp and large. Market reaction was extreme with large falls in equities, corporate bond markets and, to some extent, real estate echoing lockdown-induced paralysis and the uncharted challenges for governments, businesses, and individuals.
- 4.2 Investment returns which had been low during 2019/20, plunged during 2020/21 to near zero or even into negative territory. Most local authority lending managed to avoid negative rates and one feature of the year was the growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2020/21 was that Bank Rate would continue at the start of the year at 0.75 % before rising to end 2022/23 at 1.25%. This forecast was invalidated by the Covid-19 pandemic bursting onto the scene in March 2020 which caused the Monetary Policy Committee to cut Bank Rate in March, first to 0.25% and then to 0.10%, in order to counter the hugely negative impact of the national lockdown on large swathes of the economy. Investment strategy and control of interest rate risk



	Bank Rate	7 day	1 mth	3 mth	6 mth	12 mth
High	0.10	0.00	0.14	0.56	0.62	0.77
High Date	01/04/2020	02/04/2020	20/04/2020	08/04/2020	14/04/2020	21/04/2020
Low	0.10	-0.10	-0.11	-0.10	-0.10	-0.05
Low Date	01/04/2020	31/12/2020	29/12/2020	23/12/2020	21/12/2020	11/01/2021
Average	0.10	-0.07	-0.05	0.01	0.07	0.17
Spread	0.00	0.10	0.25	0.66	0.73	0.83

- 4.3 The Bank of England and the Government also introduced new programmes of supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the lockdown. The Government also supplied huge amounts of finance to local authorities to pass on to

businesses. This meant that for most of the year there was much more liquidity in financial markets than there was demand to borrow, with the consequent effect that investment earnings rates plummeted.

- 4.4 While the Council has taken a cautious approach to investing, it is also fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the financial crisis. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions.
- 4.5 Investment balances have been kept to a minimum through the agreed strategy of using reserves and balances to support internal borrowing, rather than borrowing externally from the financial markets. External borrowing would have incurred an additional cost, due to the differential between borrowing and investment rates as illustrated in the charts shown above and below. Such an approach has also provided benefits in terms of reducing counterparty risk exposure, by having fewer investments placed in the financial markets.
- 4.6 The Council held an average of £27.2m as cash during the year. This comprised working cash balances, capital receipts, earmarked reserves and developer contributions held pending their use.
- 4.7 The Council's general policy objective is to invest its surplus funds prudently. Throughout 2020/21, the Council's investment priorities continued to be:

Highest priority - Security of the invested capital;

Followed by - Liquidity of the invested capital;

Finally - An optimum yield commensurate with security and liquidity.

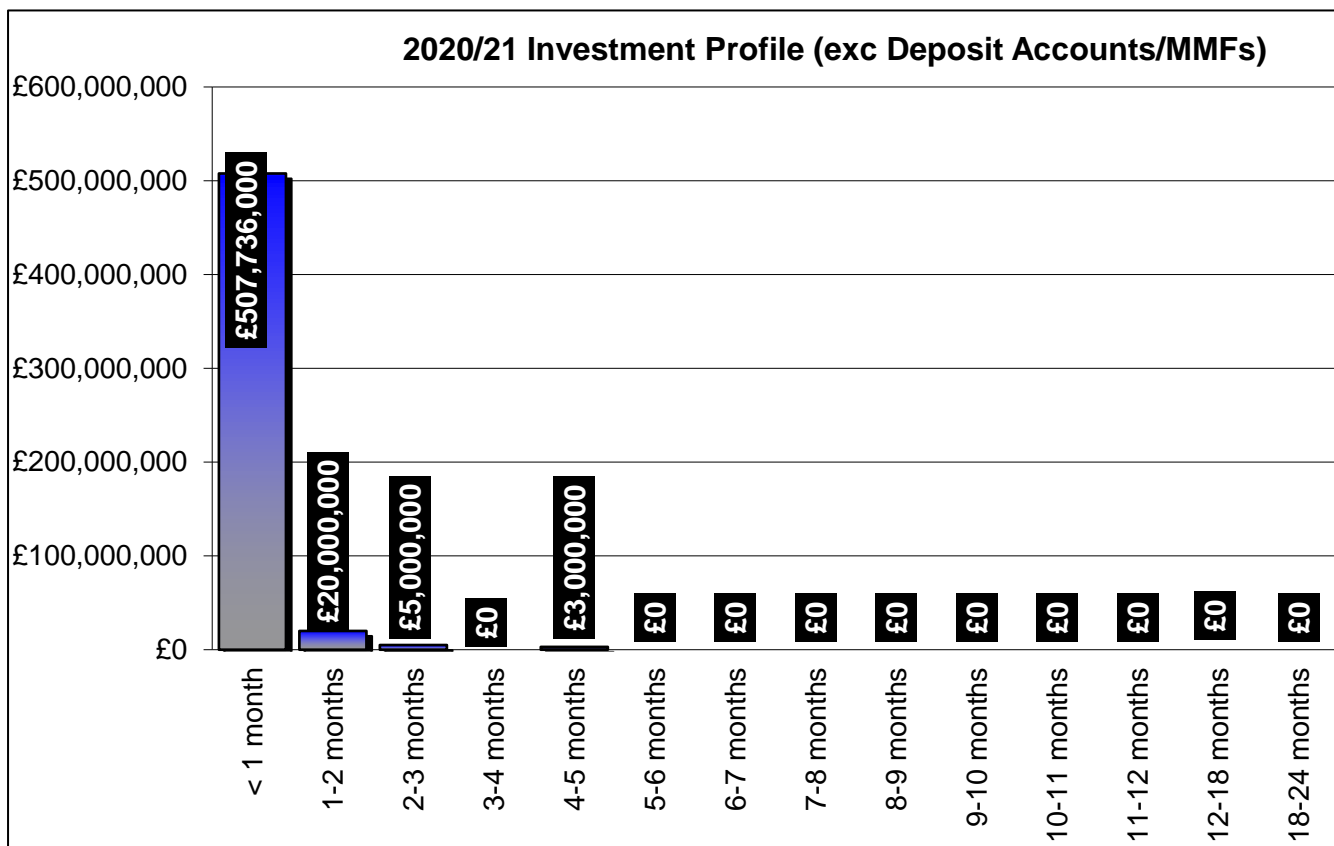
- 4.8 All of the Council's investments were managed in-house. Security of capital was maintained by following the counterparty policy set out in the Investment Strategy for 2020/21. Investments made during the year included:

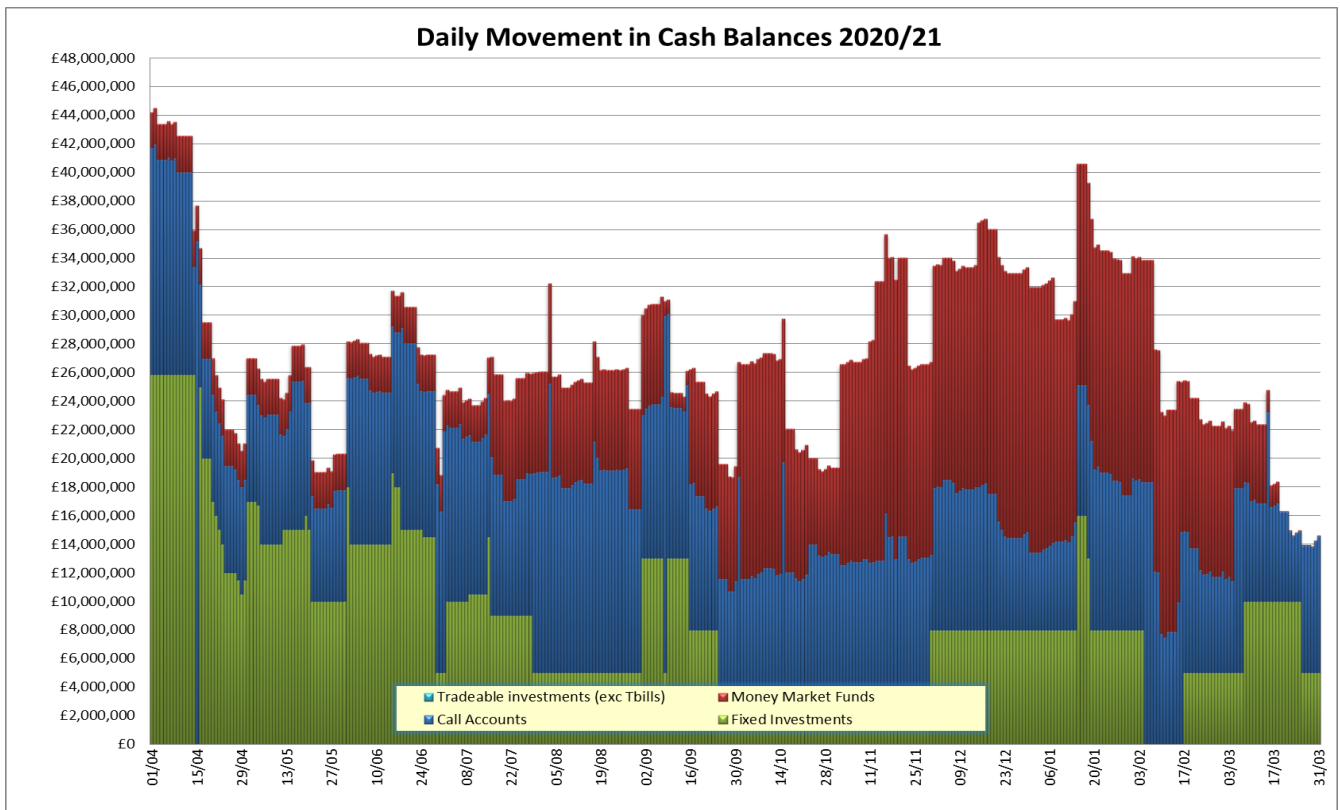
- Fixed Term Deposits with the Debt Management Office (DMO) (a total of £507.7 million – 36 occasions);
- Fixed Term Deposits with other Local Authorities (a total of £28 million – 6 occasions);
- Fixed Term Deposits with UK Banks and Building Societies (none);
- Investments in Money Market Funds (MMFs) (average daily balance held in year £8.38 million);
- United Kingdom Treasury Bills (none);
- Tradable Investments - Floating Rate Notes, Certificates of Deposit, Bonds (none);
- Deposit accounts with UK Banks (average daily balance held in year £6.68 million);
- Deposit accounts with UK Building Societies (none);
- Overnight deposits with the Council's banker, Lloyds Bank (average daily balance held in year £3.41 million).

4.9 Counterparty credit quality was assessed and monitored with reference to credit ratings (a minimum long-term counterparty rating of BBB+ across all three rating agencies Fitch, Standard and Poor's, and Moody's applied); credit default swaps; GDP of the country in which the institution operates; the country's net debt as a percentage of GDP; any potential support mechanisms and share price.

4.10 In keeping with Government guidance on investments, the Council maintained a sufficient level of liquidity through the use of Money Market Funds (MMF), overnight deposits and deposit accounts, the average daily balance held being £18.47 million.

4.11 A full list of investments (excluding deposit account or MMF transactions) made or maturing in the year is given at Appendix C. All investments were made with UK institutions, and no new deposits were made for periods in excess of one year. The first chart below gives an analysis of aggregate fixed term deposits by duration. The second chart shows how the total amount invested varied from day to day over the course of the year, from a low of £13.79m to a high of £44.49m. The movement largely reflects the cycle of grant, council tax and business rate receipts and precept payments made.





4.12 The income return generated from investments in the year was £0.012 million, below the total budget for investment income of £0.100 million. This position arose as a result of the requirement to re-profile major projects within the approved capital programme, ensuring an increase in the short-term availability of additional cash for investment.

4.13 The average rate of return from investments at the end of each quarter in 2020/21 is shown in the table below, along with comparative benchmark information, the 7-day LIBID rate.

Average rate of investments in:	Lewes District Council	7-day LIBID
Quarter 1 ending 30 June 2020	0.19%	-0.04%
Quarter 2 ending 30 September 2020	0.10%	-0.07%
Quarter 3 ending 31 December 2020	0.08%	-0.08%
Quarter 4 ending 31 March 2021	0.02%	-0.09%
Whole year 2020/21	0.10%	-0.07%

5. Compliance with Prudential Indicators

5.1 The Council can confirm that it has complied with its Prudential Indicators for 2020/21. A detailed review of each of the Prudential Indicators is at Appendix A.

6. Investment Consultants

6.1 The Council has recently appointed Link Treasury Services Limited as its Treasury Adviser for an initial two-year term expiring on 30 May 2023, with the Council having the option to extend, if required. The Link Treasury Services has been appointed to support both the Lewes District Council and Eastbourne Borough Council, given that a shared finance team (with treasury management responsibility) has been established.

7. Reporting and Training

- 7.1 The Chief Finance Officer reported the details of treasury management activity to each regular meeting of the Audit and Standards Committee and Cabinet held in 2020/21. A mid-term summary report was issued in November 2020.
- 7.2 The training needs of the Council's treasury management staff were reviewed as part of the annual corporate staff appraisal/training needs assessment process for all Council employees. Members of staff attended, where appropriate, Links workshops alongside colleagues from other local authorities during 2020/21. In 2020/21, Link Asset Services continue to meet with Council officers to explain developments within the sector, as well as review the Council's own investment and debt portfolios.
- 7.3 The Treasury Strategy had anticipated that Link's would hold a local briefing session for all councillors tasked with treasury management responsibility, including scrutiny of the treasury management function. The TM briefing session took place in 21st October 2020.

8. Other

- 8.1 CIPFA consultations: In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These follow the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. These are principles-based consultations and will be followed by more specific proposals later in the year.
- 8.2 In the Prudential Code the key area being addressed is the statement that "local authorities must not borrow more than or in advance of their needs purely in order to profit from the investment of the extra sums borrowed". Other proposed changes include the sustainability of capital expenditure in accordance with an authority's corporate objectives, i.e., recognising climate, diversity and innovation, commercial investment being proportionate to budgets, expanding the capital strategy section on commercial activities, replacing the "gross debt and the CFR" with the liability benchmark as a graphical prudential indicator.
- 8.3 Proposed changes to the Treasury Management Code include requiring job specifications and "knowledge and skills" schedules for treasury management roles to be included in the Treasury Management Practices document and formally reviewed, a specific treasury management committee for MiFID II professional clients and a new TMP 13 on Environmental, Social and Governance Risk Management.
- 8.4 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard has been delayed for a further year until 2022/23.

Appendix A – Prudential Indicators 2020/21

1. Background:

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. Some of the Prudential Indicators relate directly to the Council's Capital Programme. These Indicators are also included below for completeness of reporting.

2. Net Borrowing and the Capital Financing Requirement

- 2.1 This is a key indicator of prudence. In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that the net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years.
- 2.2 The Chief Finance Officer reports that the Council has had no difficulty meeting this requirement in 2020/21, nor are there any difficulties envisaged for future years. This view takes into account current commitments, existing plans, and the proposals in the budget for 2021/22.

3. Estimates of Capital Expenditure (direct link to Capital Programme)

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax and in the case of the HRA, housing rent levels.

No.	Capital Expenditure	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
1a	Non-HRA	15.467	16.525	9.746
1b	HRA	29.108	50.150	4.683
	Total	44.575	66.675	14.429

4. Ratio of Financing Costs to Net Revenue Stream (direct link to Capital Programme)

- 4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs.
- 4.2 The ratio is based on costs net of investment income. Where investment income exceeds interest payments, the indicator is negative.

No.	Ratio of Financing Costs to Net Revenue Stream	2020/21 Original %	2020/21 Revised %	2020/21 Actual %
2a	Non-HRA	2.2	3.94	3.90
2b	HRA	11.1	11.03	10.33

5. Capital Financing Requirement

5.1 The Capital Financing Requirement (CFR) measures the Council's underlying need to borrow for a capital purpose. The calculation of the CFR is taken from the amounts held in the Balance Sheet relating to capital expenditure and its financing. The amounts shown are as at 31 March.

No	Capital Financing Requirement	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
3a	Non-HRA	45.500	21.000	18.382
3b	HRA	68.300	67.300	71.549
	Total CFR	113.800	88.300	89.931

5.2 The year-on-year change in the CFR is set out below.

Capital Financing Requirement	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
Balance B/F	87.000	84.600	85.423
Capital expenditure financed from borrowing	27.100	4.200	5.084
Revenue provision for Debt Redemption.	(0.300)	(0.500)	(0.576)
Balance C/F	113.800	88.300	89.931

6. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. The Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit (see 8 below).

No.	Actual External Debt as at 31/03/21	Revised £m	Actual £m
4a	Borrowing	61.673	56.673
4b	Other Long-term Liabilities	0.600	0.600
4c	Total	62.273	57.273

7. Incremental Impact of Capital Investment Decisions Stream (direct link to Capital Programme)

This is an indicator of affordability that shows the impact of capital investment decisions on Council Tax and Housing Rent levels. The incremental impact is calculated by comparing the total revenue budget requirement of the current approved Capital Programme with an equivalent calculation of the revenue budget requirement arising from the proposed Capital Programme.

No.	Incremental Impact of Capital Investment Decisions	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
5a	Increase in Band D Council Tax	64.74	45.10	20.40
5b	Increase in Average Weekly Housing Rents	0.78	0.17	1.98

The increase in Band D council tax/average weekly rents reflects the funding of the capital programme: for example, new borrowing increases interest payable, and funding from reserves utilises resources which could have otherwise been used to fund revenue expenditure. The actual indicators are less than the revised as a result of significant capital projects being deferred from 2020/21 into 2021/22.

8. Authorised Limit and Operational Boundary for External Debt

- 8.1 The Council has an integrated treasury management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the CFR.
- 8.2 The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases.
- 8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements.
- 8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit). The 2020/21 Actual values shown below are the maximum levels of borrowing, including temporary borrowing, experienced at any time during the year.

No.	Authorised Limit for External Debt	2020/21 Original £m	2020/21 Actual £m
6a	Borrowing	131.600	56.673
6b	Other Long-term Liabilities	0.400	0.600
6c	Total	132.000	57.273

- 8.5 The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Chief Finance Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Cabinet. The 2020/21 Actual values shown below are the maximum levels of borrowing, including temporary borrowing, experienced at any time during the year.

No.	Operational Boundary for External Debt	2020/21 Original £m	2020/21 Actual £m
7a	Borrowing	121.300	56.673
7b	Other Long-term Liabilities	0.400	0.600
7c	Total	121.700	57.273

9. Adoption of the CIPFA Treasury Management Code

This indicator demonstrates that the Council has adopted best practice.

No.	Adoption of the CIPFA Code of Practice in Treasury Management
8	The Council approved the adoption of the CIPFA Treasury Management Code in 2002. Following revisions to the Code published in December 2009, reconfirmed its adoption of the Code in February 2010.

10. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

10.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. This Council calculates these limits on net principal outstanding sums i.e. fixed rate debt net of fixed rate investments.

10.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises which could adversely impact on the revenue budget.

No.		2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
9	Upper Limit for Fixed Interest Rate Exposure	100.0	100.0	100.0
10	Upper Limit for Variable Interest Rate Exposure	(25)	(25.0)	(25.0)

10.3 The limits above provide the necessary flexibility within which decisions will be made for drawing down new loans on a fixed or variable rate basis; the decisions will ultimately be determined by expectations of anticipated interest rate movements as set out in the Council's Treasury Management Strategy.

10.4 Because the Council's investments are substantially in excess of its variable rate borrowing, the Upper Limit for Variable Interest Rate exposure is shown as a negative figure.

11. Maturity Structure of Fixed Rate borrowing

11.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

11.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No.	Maturity structure of fixed rate borrowing	Lower Limit %	Upper Limit %	Actual %
11a	under 12 months	0	75	8
11b	12 months and within 24 months	0	75	0
11c	24 months and within 5 years	0	75	18
11d	5 years and within 10 years	0	75	18
11e	10 years and above	0	75	56

12. Upper Limit for total principal sums invested over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested. No investments of more than 364 days were made during 2020/21.

No.	Upper Limit for total principal sums invested over 364 days	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
12	Upper limit	2	2	2

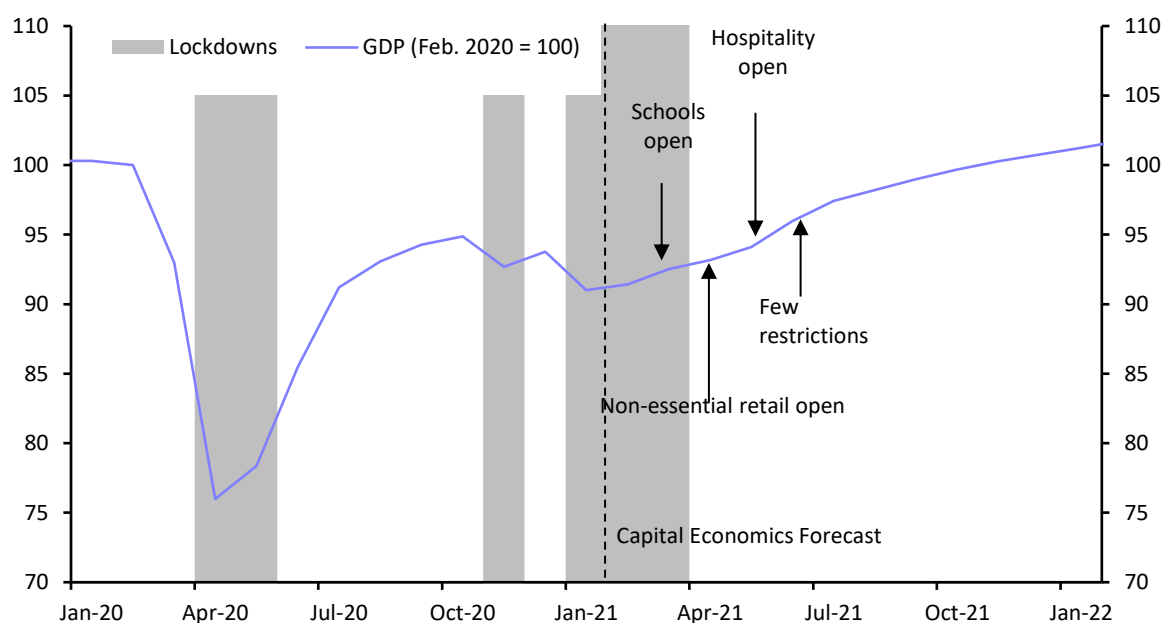
13. HRA Limit on Indebtedness

The indicator is associated with self-financing for housing. It indicates the residual capacity to borrow for housing purposes, while remaining within the overall HRA 'Debt Cap' specified by the Government. The Government has removed the 'debt cap' and the Council has retained the indicator 2020/21 for reporting to show the position if the 'debt cap' had remained in place.

No	Capital Financing Requirement	2020/21 Original £m	2020/21 Revised £m	2020/21 Actual £m
13a	HRA CFR	68.300	67.300	71.549
13b	HRA Debt Cap	75.248	75.248	75.248
	Difference	6.948	7.948	3.699

Appendix B – The Economy and Interest Rates by Link Treasury Services Limited

UK. Coronavirus. The financial year 2020/21 will go down in history as being the year of the pandemic. The first national lockdown in late March 2020 did huge damage to an economy that was unprepared for such an eventuality. This caused an economic downturn that exceeded the one caused by the financial crisis of 2008/09. A short second lockdown in November did relatively little damage but by the time of the third lockdown in January 2021, businesses and individuals had become more resilient in adapting to working in new ways during a three month lockdown so much less damage than was caused than in the first one. The advent of vaccines starting in November 2020, were a game changer. The way in which the UK and US have led the world in implementing a fast programme of vaccination which promises to lead to a return to something approaching normal life during the second half of 2021, has been instrumental in speeding economic recovery and the reopening of the economy. In addition, the household saving rate has been exceptionally high since the first lockdown in March 2020 and so there is plenty of pent-up demand and purchasing power stored up for services in the still-depressed sectors like restaurants, travel and hotels as soon as they reopen. It is therefore expected that the UK economy could recover its pre-pandemic level of economic activity during quarter 1 of 2022.



Both the Government and the Bank of England took rapid action in March 2020 at the height of the crisis to provide support to financial markets to ensure their proper functioning, and to support the economy and to protect jobs.

The Monetary Policy Committee cut Bank Rate from 0.75% to 0.25% and then to 0.10% in March 2020 and embarked on a £200bn programme of quantitative easing QE (purchase of gilts so as to reduce borrowing costs throughout the economy by lowering gilt yields). The MPC increased then QE by £100bn in June and by £150bn in November to a total of £895bn. While Bank Rate remained unchanged for the rest of the year, financial markets were concerned that the MPC could cut Bank Rate to a negative rate; this was firmly discounted at the February 2021 MPC meeting when it was established that commercial banks would be unable to implement negative rates for at least six months – by which time the economy was expected to be making a strong recovery and negative rates would no longer be needed.

Average inflation targeting. This was the major change adopted by the Bank of England in terms of implementing its inflation target of 2%. The key addition to the Bank's forward guidance in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. This sets a high bar for raising Bank Rate and no increase is expected by March 2024, and possibly for as long as five years. Inflation has been well under 2% during 2020/21; it is expected to briefly peak at just over 2% towards the end of 2021, but this is a temporary short-lived factor and so not a concern to the MPC.

Government support. The Chancellor has implemented repeated rounds of support to businesses by way of cheap loans and other measures and has protected jobs by paying for workers to be placed on furlough. This support has come at a huge cost in terms of the Government's budget deficit ballooning in 20/21 and 21/22 so that the Debt to GDP ratio reaches around 100%. The Budget on 3rd March 2021 increased fiscal support to the economy and employment during 2021 and 2022 followed by substantial tax rises in the following three years to help to pay the cost for the pandemic. This will help further to strengthen the economic recovery from the pandemic and to return the government's finances to a balanced budget on a current expenditure and income basis in 2025/26. This will stop the Debt to GDP ratio rising further from 100%. An area of concern, though, is that the government's debt is now twice as sensitive to interest rate rises as before the pandemic due to QE operations substituting fixed long-term debt for floating rate debt; there is, therefore, much incentive for the Government to promote Bank Rate staying low e.g. by using fiscal policy in conjunction with the monetary policy action by the Bank of England to keep inflation from rising too high, and / or by amending the Bank's policy mandate to allow for a higher target for inflation.

BREXIT. The final agreement on 24th December 2020 eliminated a significant downside risk for the UK economy. The initial agreement only covered trade so there is further work to be done on the services sector where temporary equivalence has been granted in both directions between the UK and EU; that now needs to be formalised on a permanent basis. There was much disruption to trade in January as form filling has proved to be a formidable barrier to trade. This appears to have eased somewhat since then but is an area that needs further work to ease difficulties, which are still acute in some areas.

EU. Both the roll out and take up of vaccines has been disappointingly slow in the EU in 2021, at a time when many countries are experiencing a sharp rise in cases which are threatening to overwhelm hospitals in some major countries; this has led to renewed severe restrictions or lockdowns during March. This will inevitably put back economic recovery after the economy had staged a rapid rebound from the first lockdowns in Q3 of 2020 but contracted slightly in Q4 to end 2020 only 4.9% below its pre-pandemic level. Recovery will now be delayed until Q3 of 2021 and a return to pre-pandemic levels is expected in the second half of 2022.

Inflation was well under 2% during 2020/21. The ECB did not cut its main rate of -0.5% further into negative territory during 2020/21. It embarked on a major expansion of its QE operations (PEPP) in March 2020 and added further to that in its December 2020 meeting when it also greatly expanded its programme of providing cheap loans to banks. The total PEPP scheme of €1,850bn is providing protection to the sovereign bond yields of weaker countries like Italy. There is, therefore, unlikely to be a euro crisis while the ECB is able to maintain this level of support.

World growth. World growth was in recession in 2020. Inflation is unlikely to be a problem in most countries for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Central banks' monetary policy. During the pandemic, the governments of western countries have provided massive fiscal support to their economies which has resulted in a big increase in total government debt in each country. It is therefore very important that bond yields stay low while debt to GDP ratios slowly subside under the impact of economic growth. This provides governments with a good reason to amend the mandates given to central banks to allow higher average levels of inflation than we have generally seen over the last couple of decades. Both the Fed and Bank of England have already changed their policy towards implementing their existing mandates on inflation, (and full employment), to hitting an average level of inflation. Greater emphasis could also be placed on hitting subsidiary targets e.g. full employment before raising rates. Higher average rates of inflation would also help to erode the real value of government debt more quickly.

Appendix C – List of Investments made and/or maturing in 2020/21

Counterparty	Principal £	From / To		Interest/Return £
Term Deposits				
Debt Management Office	25,884,000	01/04/2020	02/04/2020	42.55
Debt Management Office	25,884,000	02/04/2020	09/04/2020	496.41
Debt Management Office	25,884,000	09/04/2020	14/04/2020	212.75
Debt Management Office	25,884,000	14/04/2020	15/04/2020	42.55
Debt Management Office	25,000,000	16/04/2020	17/04/2020	27.40
Debt Management Office	20,000,000	17/04/2020	20/04/2020	65.75
Debt Management Office	17,000,000	20/04/2020	21/04/2020	18.63
Debt Management Office	16,000,000	21/04/2020	22/04/2020	17.53
Debt Management Office	15,000,000	22/04/2020	23/04/2020	16.44
Debt Management Office	14,000,000	23/04/2020	24/04/2020	15.34
Debt Management Office	12,000,000	24/04/2020	27/04/2020	39.45
Debt Management Office	12,000,000	27/04/2020	28/04/2020	13.15
Debt Management Office	11,500,000	28/04/2020	29/04/2020	12.60
Debt Management Office	10,500,000	29/04/2020	30/04/2020	11.51
Debt Management Office	11,500,000	30/04/2020	01/05/2020	12.60
Debt Management Office	17,000,000	01/05/2020	04/05/2020	55.89
Debt Management Office	16,700,000	04/05/2020	05/05/2020	18.30
Debt Management Office	14,000,000	05/05/2020	12/05/2020	107.40
Debt Management Office	15,000,000	12/05/2020	19/05/2020	115.07
Debt Management Office	16,000,000	19/05/2020	20/05/2020	17.53
Debt Management Office	15,000,000	20/05/2020	21/05/2020	16.44
Debt Management Office	10,000,000	21/05/2020	28/05/2020	76.71
Debt Management Office	10,000,000	28/05/2020	02/06/2020	27.40
Debt Management Office	8,000,000	01/06/2020	02/06/2020	8.77
Debt Management Office	14,000,000	02/06/2020	16/06/2020	107.40
Debt Management Office	5,000,000	15/06/2020	16/06/2020	2.74
Debt Management Office	18,000,000	16/06/2020	17/06/2020	4.93
Debt Management Office	18,000,000	17/06/2020	18/06/2020	4.93
Debt Management Office	15,000,000	18/06/2020	25/06/2020	28.77
Merthyr Tydfil	5,000,000	25/06/2020	25/08/2020	1,420.55
Debt Management Office	9,500,000	25/06/2020	29/06/2020	10.41
Debt Management Office	5,000,000	02/07/2020	09/07/2020	9.59
Debt Management Office	5,500,000	09/07/2020	16/07/2020	10.55
Debt Management Office	4,000,000	15/07/2020	29/07/2020	15.34
Merthyr Tydfil	5,000,000	25/08/2020	25/09/2020	339.73
Debt Management Office	8,000,000	01/09/2020	08/09/2020	15.34
Debt Management Office	8,000,000	09/09/2020	16/09/2020	£15.34
Telford and Wrekin Council	3,000,000	16/09/2020	18/01/2021	815.34
RB Maidenhead & Windsor	5,000,000	30/11/2020	19/01/2021	205.48
Debt Management Office	8,000,000	15/01/2021	05/02/2021	46.03
Kirklees Council	5,000,000	17/02/2021	26/03/2021	50.68
Surrey County Council	5,000,000	08/03/2021	08/04/2021	212.33

Glossary of Terms

<i>Affordable Borrowing Limit</i>	Each local authority is required by statute to determine and keep under review how much money it can afford to borrow. The Prudential Code (see below) sets out how affordability is to be measured.
<i>Base Rate</i>	The main interest rate in the economy set by the Bank of England, upon which other rates are based.
<i>Bonds</i>	Debt instruments issued by government, multinational companies, banks, and multilateral development banks. Interest is paid by the issuer to the bond holder at regular pre-agreed periods. The repayment date of the principal is also set at the outset.
<i>Capital Expenditure</i>	Spending on the purchase, major repair, or improvement of assets e.g. buildings and vehicles.
<i>Capital Financing Requirement (CFR)</i>	Calculated in accordance with government regulations, the CFR represents the amount of Capital Expenditure that it has incurred over the years and which has not yet been funded from capital receipts, grants, or other forms of income. It represents the Council's underlying need to borrow.
<i>Chartered Institute of Public Finance and Accountancy (CIPFA)</i>	CIPFA is one of the leading professional accountancy bodies in the UK and the only one that specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.
<i>Counterparty</i>	Organisation with which the Council makes an investment.
<i>Credit Default Swaps</i>	CDS are a financial instrument for swapping the risk of debt default and are effectively an insurance premium. Local authorities do not trade in CDS but trends in CDS prices can be monitored as an indicator of relative confidence about the credit risk of counterparties.
<i>Credit Rating</i>	A credit rating is an independent assessment of the credit quality of an institution made by an organisation known as a rating agency. The rating agencies take many factors into consideration when forming their view of the likelihood that an institution will default on their obligations, including the institution's willingness and ability to repay. The ratings awarded typically cover the short-term outlook, the long-term outlook, as well as an assessment of the extent to which the parent company or the state will honour any obligations. At present the three main agencies providing credit rating services are Fitch Ratings, Moody's and Standard and Poor's
<i>Fixed Deposits</i>	Loans to institutions which are for a fixed period at a fixed rate of interest.
<i>Gilts</i>	These are issued by the UK government in order to finance public expenditure. Gilts are generally issued for set periods and pay a fixed rate of interest. During the life of the gilt it will be traded at price decided in the market.

<i>Housing Revenue Account (HRA)</i>	There is a statutory requirement for local authorities to account separately for expenditure incurred and income received in respect of the dwellings that they own and manage.
<i>Lenders' Option Borrower's Option (LOBO)</i>	A long-term loan with a fixed interest rate. On pre- determined dates (e.g. every five years) the lender can propose or impose a new fixed rate for the remaining term of the loan and the borrower has the 'option' to either accept the new imposed fixed rate or repay the loan.
<i>LIBID</i>	The rate of interest at which first-class banks in London will bid for deposit funds.
<i>Minimum Revenue Provision (MRP)</i>	The minimum amount which must be charged to an authority's revenue account each year and set aside as provision for the repayment of debt.
<i>Operational boundary</i>	This is the most likely, prudent view of the level of gross external indebtedness. A temporary breach of the operational boundary is not significant.
<i>Prudential Code/Prudential Indicators</i>	The level of capital expenditure by local authorities is not rationed by central government. Instead the level is set by local authorities, providing it is within the limits of affordability and prudence they set themselves. The Prudential Code sets out the indicators to be used and the factors to be taken into account when setting these limits.
<i>Public Works Loan Board (PWLb)</i>	A central government agency which provides long-term and medium-term loans to local authorities at interest rates only slightly higher than those at which the Government itself can borrow.
<i>Treasury Management Strategy Statement (TMSS)</i>	Approved each year, this document sets out the strategy that the Council will follow in respect of investments and financing both in the forthcoming financial year and the following two years.
<i>Treasury Bills (T-Bills)</i>	These are issued by the UK Government as part of the Debt Management Office's cash management operations. They do not pay interest but are issued at a discount and are redeemed at par. T-Bills have up to 12 months maturity when first issued.

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Report to: Audit and Standards Committee

Date: 26 July 2021

Title: Redmond Review update and MHCLG External Audit Consultations

Report of: Chief Finance Officer

Ward(s): All

Purpose of report: To ensure that the Committee is kept up to date on the progress in delivering the recommendations of the Redmond Review and ongoing external audit consultations.

Officer recommendation(s): The Committee is asked to note the report.

Reasons for recommendations: To provide an update on the Government's recent response to the Sir Tony Redmond's independent review.

Contact Officer(s): Name: Ola Owolabi
Post title: Deputy Chief Finance Officer
E-mail: ola.owolabi@lewes-eastbourne.gov.uk
Telephone number: 01273 485083

1 Introduction

- 1.1 Sir Tony Redmond was requested to undertake a review into the effectiveness of the local audit regime for local authorities and the transparency of the financial reporting regime. The review outcomes and recommendations were presented to the Secretary of State for Housing, Communities and Local Government in September 2020.
- 1.2 In total, 23 recommendations were made covering the following topics:
- External Audit Regulation.
 - Smaller Authorities Audit Regulation.
 - Financial Resilience of local authorities.
 - Transparency of Financial Reporting.
- 1.3 In October 2020, the Committee received a presentation on the Redmond independent review into the effectiveness of external audits and transparency of financial reporting in local authorities and that further information would be provided to the Committee when available.
- 1.4 The Government has subsequently published a response to the Redmond recommendations in December 2020 and most recently, in May 2021.

2 Government responses to the Sir Redmond Review Findings

- 2.1 The Ministry of Housing, Communities and Local Government (MHCLG) published its response to the findings on 17 December 2020, which were grouped into five themes:
- Action to support immediate market stability.
 - Consideration of system leadership options.
 - Enhancing the functioning of local audits and the governance for responding to its findings.
 - Improving transparency of local authorities' accounts to the public.
 - Action to consider the functioning of local audits for smaller bodies.
- 2.2 The response confirmed the Government commitment to the principles of locally led audit regimes and that robust local scrutiny and accountability by the press and public are fundamental to the local audit framework.
- 2.3 The key recommendation made was that the Redmond Review recommended the Office of Local Audit and Regulation (OLAR) be created. This would oversee all aspects of local authority audit and Public Sector Audit Appointments (PSAA) created (the body who appoints 98% of all local authority audits) would be abolished.
- 2.4 The Government has produced a white paper on Corporate Audit in which it recommended creating a new body to replace the Finance Reporting Council (FRC) with the Audit, Reporting and Governance Authority (ARGA). The Government is proposing to add the role of oversight of local authority audit to ARGA, while the PSAA will continue to have oversight of appointing individual local authority auditors.
- 2.5 The other significant announcement was the amendment announced to the Audit and Accounts Regulations in response to the pandemic to further extend the date to produce audited accounts from 31st July to 30th September for a period of 2 years (2021/22 and 2022/23) with a commitment to review again to see whether there is a continued need to have this extended deadline.

3. MHCLG Audit Fees Consultation

- 3.1 There have been two recent consultations undertaken by the MHCLG in relation to the future external audit fees to be paid by local authorities.
- The first consultation relates to the allocation of the extra £15m to be used to support the current fees paid. This is intended to support affected local bodies to meet the anticipated rise in audit fees in 2021/22, driven by new requirements on auditors including the 2020 Code of Audit Practice, and to enable local authorities to develop standardised statements of service information and costs. *The Council responded to the consultation on 18 May 2021.*
 - The second consultation relates to proposing changes to the fee setting and fee variation arrangements set out in the Local Audit (Appointing Person) Regulations 2015 to provide additional flexibility to the appointing person for principal bodies (Public Sector Audit Appointments Ltd) to reflect the changing nature of the local audit market. This is in response to the Sir Tony Redmond recommendation that the current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements. *The Council responded to the consultation on 1 June 2021.*

4 Financial Implications

4.1 Not applicable as this report is for information.

5. Risk Management Implications

5.1 Not applicable as this report is for information.

6. Equality Screening

6.1 Not applicable as this report is for information.

7 Legal Implications

7.1 None arising from this report.

8. Background Papers

8.1 Full details of the Government response can be found here:

December response

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-government-response-to-the-redmond-review>

May update

<https://www.gov.uk/government/publications/local-authority-financial-reporting-and-external-audit-spring-update>

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Report to: Audit and Standards Committee

Date: 26 July 2021

Title: Environmental, Social, and Governance Investments

Report of: Chief Finance Officer

Ward(s): All

Purpose of report: To provide an update on the position of the Council's Treasury Management investments in respect of the environmental, social and governance aspects of investing.

Officer recommendation(s): The Committee is asked to note the report.

Reasons for recommendations: An update on the approved Council's Environmental, Social and Governance investments opportunities.

Contact Officer(s): Name: Ola Owolabi
Post title: Deputy Chief Finance Officer
E-mail: ola.owolabi@lewes-eastbourne.gov.uk
Telephone number: 01273 485083

1 Introduction

- 1.1 The CIPFA Code sets out a suggested framework for managing treasury management risk. Regarding investment activity, the Code primarily states that public sector organisations should focus on security and portfolio liquidity and seek value for money (minimise net debt costs) within their risk parameters. With this in mind, the majority of the Council's treasury balances must be invested with highly secure institutions, where it is possible to withdraw funds at short notice, and the risk of losses to the taxpayer are minimised as much as possible.
- 1.2 To fulfil these criteria's, the Council is largely limited to short-term deposits with highly rated banks, building societies, money market funds and government institutions such as other local authorities. The Council does however have the possibility of investing core surplus treasury assets for longer term horizons where these exist.
- 1.3 Over recent years the concept of responsible investing has started to gain prominence. This concept includes taking into consideration factors other than financial return when an organisation is making an ESG investment decision. At the current time, the CIPFA code of practice does not require the inclusion of any of these factors within the investment strategies, and the Council has no legal requirement to include them in its policies.

- 1.4 In terms of typical local authority investments, there is not a wide range of products in this area at the moment, although the Council expect to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent, the council will continue to monitor it and make best use of ESG opportunities when they become available within the parameters of the Council's counterparty criteria and the requirement of the MHCLG Investment Guidance to prioritise security, liquidity before yield in that order of importance.

2 Environmental, Social and Governance TM Strategy

- 2.1 The Cabinet at its meeting on 4 February 2021 approved the 2021/22 Treasury Management and Investment Strategy, which include Non-Specified investments in Green Energy Bonds and/or other ESG products that met the Council's internal and external due diligence criteria.
- 2.2 Following the approval, the Council external treasury management advisors (Link Asset Services) was requested to conduct a review, looking into what potential investment options available to the Council that would fulfil the Council's objective of supporting climate related activities with regard to Environmental, Social and Governance concerns (ESG).
- 2.3 There is not yet a mature market focusing solely on Environmental issues. However, with the Social and Governance theme of ESG investment, there is now a focus on engagement with companies which are not necessarily environmentally focused, but how the Council counterparties can use their influence to encourage more ESG focused behavior. This is known as the engagement approach, which contrasts with the divestment approach that focusses on precluding investment in any company deemed to be weak in ESG matters.

3. Potential Approach to ESG Investing

- 3.1 The Council will consider options for various investments of up to £2 million of short/medium-term funds with institutions who ring fence the use of such funds for ESG related matters. The criteria for credit ratings of security of such deposits will need to remain in line with the wider Council policy. However, where appropriate and at the Council's discretion, some flexibility might be provided to allow for slightly longer duration of investment and potentially lower returns to support the ESG focus. Any investment will be subject to agreement of the S151 Officer taking these factors into consideration.
- 3.2 Direct involvement and financing of Green energy projects is treated as capital expenditure, and as such is not covered within the remit of treasury management.
- 3.3 The Council might also consider investing longer term for up to £2m into ESG focused funds. The Council will work alongside its treasury advisors to identify, review, and assess potential suitable funds including the following ethical investing options:

- Barclays' Green Bond Purchasing Programme - which covers a variety of thematic projects including energy efficiency, renewable energy, green transport, sustainable food, agriculture and forestry, waste management and greenhouse gas emission reduction.
- Standard Chartered 'Green and Sustainable Product Framework', which includes 'No poverty; zero hunger; good health and well-being; quality education; gender equality; clean water and sanitation; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice and strong institutions; partnerships for the goals.
- Lloyds Sustainability 95 Day GBP Notice Account - a deposit product of Lloyds Bank which helps to support Lloyds Bank sustainability lending, comprising the green and social projects categories and which may include financing and/or refinancing projects. The sustainability lending and management criteria have been developed with the support of Sustainalytics, a leading provider of ESG research and ratings, for alignment with market practice.
- Multi-asset pooled funds - suitable 'all in one' solution for most long-term investors. They offer the following benefits:
 - long-term growth in capital and income.
 - efficient access to a wide range of investments.
 - low cost.
 - simple administration.
 - well established ethical and responsible policies.

4 Financial Implications

4.1 Not applicable as this report is for information.

5. Risk Management Implications

5.1 Not applicable as this report is for information.

6. Equality Screening

6.1 Not applicable as this report is for information.

7 Legal Implications

7.1 None arising from this report.

8. Background Papers

8.1 The 2021/22 Treasury Management and Investment Strategy.

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Report to:	Audit and Standards Committee
Date:	26 July 2021
Title:	Internal Audit and Counter Fraud Report for the financial year 2020-2021
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To provide a summary of the activities of Internal Audit and Counter Fraud for the financial year - 1st April 2020 to 31st March 2021.
Officer recommendation(s):	That the information in this report be noted and Members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 The remit of the Audit and Standards Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.
- 1.2 The quarterly report includes a review of work undertaken by Internal Audit and Counter Fraud.
- 1.3 This report summarises the work carried out by Internal Audit and Counter Fraud across the financial year 2020-21 and includes the Chief Internal Auditor's opinion of the control environment which is based on the outcomes of this work.

2 Review of the work of Internal Audit carried out in the financial year 2020-21

2.1 A list of all the audit reports issued in final from 1st April 2020 to 31st March 2021 is as follows:

Name of Audit	Assurance Level
Benefits and Council Tax Reduction (19/20)	Substantial Assurance
Main Accounting (19/20)	Partial Assurance
Treasury Management (19/20)	Substantial Assurance
Payroll (19/20)	Partial Assurance
Council Tax (19/20)	Substantial Assurance
National Non Domestic Rates (19/20)	Substantial Assurance
Cash and Bank (19/20)	Partial Assurance
Debtors (19/20)	Partial Assurance
Housing Rents (19/20)	Partial Assurance
Creditors (19/20)	Partial Assurance
Information Technology (19/20)	Partial Assurance
Voids Management	Substantial Assurance
Rechargeable Repairs	Partial Assurance
Leaseholder Management and Recharges	Partial Assurance
Business Continuity Planning	Minimal Assurance
Procurement	Partial Assurance
Implementation of Housing CX	Partial Assurance
Fly Tipping	Partial Assurance
Arrears Collection	Partial Assurance
Officers Expenses	Substantial Assurance
IR35	No Assurance
Members Allowances	Substantial Assurance

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

2.2 Below are the descriptions of the levels of assurance referred to above.

Assurance Level	Description
Full Assurance	Full assurance that the controls reduce the risk to an acceptable level.
Substantial Assurance	Significant assurance that the controls reduce the level of risk, but there are some reservations; most risks are adequately managed, for others there are minor issues that need to be addressed by management.
Partial Assurance	Partial assurance that the controls reduce the level of risk. Only some of the risks are adequately managed; for others there are significant issues that need to be addressed by management.

Minimal Assurance	Little assurance that the controls reduce the level of risk to an acceptable level; the level of risk remains high and immediate action is required by management.
No Assurance	No assurance can be given. The reasons will be explained thoroughly in the report.

- 2.3 Appendix A is a list of all reports issued in final during the year which were given an assurance level below “Substantial”. This list includes brief bullet points of the issues highlighted in the reviews which informed the assurance level given.
- 2.4 There are four reviews which are due for follow up. These became due at the time when the focus of work turns to completing the annual reviews. The follow ups will be undertaken as soon as possible after the annual reviews are completed.
- 2.5 Business Continuity Planning was given a “minimal” rating because, at the time of carrying out the review, business continuity plans were not generally found to be in place. However, this does not mean that the council did not respond well to the challenges of the pandemic.
- 2.6 The review of IR35 was given “no” assurance. IR35 refers to legislation designed to combat tax avoidance by workers, and those employing them, who are supplying their services to clients via an intermediary, such as a limited company, but who would be an employee if the intermediary was not used. “No” assurance was given as there was no evidence of a set procedure or relevant controls being in place.
- 2.7 Appendix B shows outstanding recommendations/actions. This list includes recommendations from audit reviews that remain outstanding after the first follow up has been completed. It also includes actions from other reports that have been brought to committee.
- 2.8 During the course of the financial year the council has been affected by the response to the ongoing Covid-19 pandemic and this was also felt on the Audit team. At the beginning of financial year some staff were redeployed temporarily. Once it became clear that the pandemic would be of a long duration, the staff were called back to continue with Audit work.
- 2.9 In December 2019 one member of the Audit team left and the post was advertised. However, the recruitment process was halted by the pandemic the following March. In July of 2020 another member of the team left. This left the team with only one Auditor, one Senior Auditor and the Audit Manager. In October 2020 the Corporate Management Team agreed that one of the vacant posts could be filled and the recruitment process began. The new Auditor began work at the end of January 2021.
- 2.10 With these constraints, the work of the audit team was affected. However, with the new way of arranging the audit plan for the year, the breadth of coverage

was maintained, even if fewer audits were undertaken than was planned. As the majority of Tourism functions were not carried out during the year, no audit reviews were carried out in this area.

2.11 During the year the team also continued to give advice to various departments on a variety of subjects. Members of the team have also been involved with various projects, usually by being members of meetings or project boards. Some of these include document management, Workplace 2021 and AI-Bots.

2.12 The table below shows the work carried out by the Internal Audit team showing the percentage of work carried out across the main areas of the council compared to that originally planned, as well as the comparison without Tourism

Area	Planned	Planned without Tourism	Actual
Regeneration	12%	13.5%	7.4%
Tourism and Enterprise	9%	0%	0.29%
Service Delivery	37%	40.5%	45.79%
Corporate Services	42%	46%	43.7%

In view of the constraints of this financial year, and this being the first year of working in this way, the results do demonstrate that this approach is working well.

2.13 Two members of the team are undertaking the Internal Audit Practitioner Apprenticeship, funded through the government's Apprenticeship Scheme. The apprenticeship is devised by the Chartered Institute of Internal Auditors (Chartered IIA) which is the recognised professional body for internal auditing in the UK and Ireland.

As part of the apprenticeship they will complete the:

- IIA Certificate in Internal Audit and Business Risk
- Certified Internal Auditor (CIA) – Part 1 – Essentials of Internal Auditing

Completion of the IIA Certificate leads to the IACert designation, and completion of CIA Part 1 leads to the award of the Internal Audit Practitioner designation. One of the officers has recently completed the IIA Certificate portion.

3 Review of the work of Counter Fraud carried out in the financial year 2020-21.

3.1 The Counter Fraud Team was affected by the response to the Covid-19 pandemic. This resulted in periods of redeployment to support key priority areas. One member of staff caught Covid and was absent from work for some time.

3.2 Cases have continued to be built and monitored during the lockdown period, with the team responding to new and emerging fraud risks following the release of Covid-19 support packages for businesses and individuals.

- 3.3 Housing Tenancy – The team continues to work closely with colleagues in Homes First and Legal to build on the existing investigations and find possible solutions in response to Covid-19 restrictions and the backlog HM Courts are currently facing. There are 35 ongoing sublet/abandonment tenancy cases at various stages. Possession of one property was granted pre-lockdown and is currently waiting a date from bailiffs to execute the warrant. One other case is with Legal pending recovery action. 11 other cases were closed during the year with no further action taken.
- 3.4 Right to Buy – There was an increase in applications in the third and fourth quarter, however with changing Covid-19 restrictions the safety of tenants and the Counter-Fraud team has taken priority and therefore verification visits have been severely affected. Work has also been focused on one prosecution case with the trial set for December 2021. There are 19 current applications being checked to prevent and detect fraud and protect the authority against money laundering. Residency checks are still outstanding for 11 cases which had been withdrawn during the verification process. 21 applications checks were completed within the year with seven withdrawn applications with a net saving to the authority of £575,300.
- 3.5 Housing Applications – The team are working directly with colleagues in Homes First to implement additional counter-fraud measures to ensure that the limited housing stock that is available will only be allocated to those in genuine need. A project has commenced in March 2021, with further details to follow in the new financial year.
- 3.6 Housing Options – Access for Homes First caseworkers and specialists to use HM Land Registry and the National Anti-Fraud Network facilities for credit checks has been rolled out to help verify applications and prevent fraud.
- 3.7 Small Business Grant Fund – Following on from the government’s announcement to support businesses through the Covid-19 pandemic, the team have been working closely with the revenues specialists to prevent and investigate fraudulent applications. The team are currently undertaking post verification work as requested by the Department for Business, Energy and Industrial Strategy (BEIS). This work will involve reviewing a sample grant application in each scheme for evidence of fraud or non-compliance. Over 400 applications have currently been reviewed with the commencement of recovery action for any incorrectly awarded grants. Further schemes have been announced in January and March 2021 following the latest national lockdown measures - work is therefore ongoing with the post-verifications. Currently the focus of work is on completing the testing and sending the required returns to BEIS within the set timescales. However, a report will be written explaining the work undertaken and the results of the work.
- 3.8 NNDR – As part of the review of Small Business Grant Fund applications discrepancies of Small Business Rate Relief and liable rate payer have been found. This has resulted in changes to business rate bills with a net income of £123,205. generated to the authority. 18 cases have been closed during the year with a number still under review.

- 3.9 Council Tax – A review of Council Tax Exemptions has found several discrepancies where a change of circumstances has not been reported to the authority. This has resulted in the rebilling of 57 accounts with a net income of £124,915 generated over current and past financial years.
- 3.10 Council Tax Reduction - Nine cases have been closed in this period with a new income of £2,679 created along with a preventative saving figure of £1,824 for the year. Two further cases are under investigation in conjunction with tenancy fraud investigations.
- 3.11 Housing Benefit – The team continue to work closely with the Department for Work and Pensions (DWP) and the council’s benefit section. Due to resource limitations and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. However, 45 cases have been closed during the year with an increase in recoverable Housing Benefit overpayment of £64,624 and a preventative saving of £25,757.
- 3.12 National Fraud Initiative – The team have provided the mandatory datasets for the 2020/21 exercise. The first batch released with 1378 cases to review. No financial gains have been found to date.
- 3.13 Data Protection Requests – The team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the year the team have dealt with 34 data protection requests from the Police and other authorities.
- 3.14 Other work – 60 residency checks were carried out on council properties where no response had been received to requests to carry out gas safety checks. 59 allegations were received from the general public during the year which were closed down due to either insufficient information/contact details or the matter did not relate to a council concern.
- 3.15 A table showing the savings made by the Counter Fraud team in the year 2020-2021 can be found at Appendix C.
- 3.16 The BBC have produced a new “Fraud Squad” series. This was due for screening from mid-May. The Lewes fraud team are the subject of one of the episodes which features the Right to Buy fraud case which has been previously reported to this committee. It is hoped that this publicity will help to underline the council’s stance of zero tolerance to fraud.

4 Managing the Risk of Fraud and Corruption

- 4.1. Cipfa suggests it is good practice to make a statement on the adequacy of an authority’s counter fraud arrangements in the annual governance report. Cipfa has published a Code of Practice on Managing the Risk of Fraud and Corruption which contains five principles:.

- Acknowledge responsibility
 - Identify risks
 - Develop a strategy
 - Provide resources
 - Take action

4.2. Having considered all the principles the Chief Internal Auditor is satisfied that the Council meets these by having fully resourced Counter-Fraud and Audit teams who review the risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero-tolerance policy.

5 Annual Governance Statement and Opinion of the Chief Internal Auditor

5.1 The work referred to in this report has been used as the basis for the opinion of the overall effectiveness and adequacy of the internal control environment along with other ad hoc work undertaken by the auditors.

5.2 As stated earlier in this report, the response to Covid-19 has had an effect on the work of the Internal Audit team. Some staff were temporarily redeployed at the start of the financial year, before being pulled back to carry out audit reviews. The team also carried one vacancy throughout the year and a second vacancy for approximately six months. However, it was possible to ensure a fairly reasonable breadth of coverage.

5.3 The response to Covid-19 also had an effect on the audit reviews themselves. The Tourism section was virtually shut down for a large portion of the financial year, so no reviews were carried out in this area. In other areas some aspects of work were stopped or curtailed; for example, the chasing of arrears. Where this was the case, testing could not be carried out if the work had not been undertaken.

5.4 There was some relaxation of controls owing to the response to the Covid-19 pandemic. However, the controls in the main financial areas are audited annually and these controls are currently being tested. No significant issues have been identified.

5.5 In 18-19 and 19-20 the new housing software system was shown as a significant governance issue. Originally this was owing to issues with the implementation and later it was due to the impact on the accounts of these issues. Significant progress has been made to ensure these issues were addressed. However, at the time of drafting the reports for this committee, other issues with data from the system, that were affecting the accounts, were raised by Finance. Further investigation and testing is required to determine whether these issues are with the system itself or with the way data is being input by users. It was not possible to complete this work in time for the July committee meeting but this is dealt with in the Annual Governance Statement report.

- 5.6 Considering the findings of the work of Audit throughout the year, and caveated by 5.2, 5.3 and 5.4 above, it is the opinion of the Chief Internal Auditor that internal controls in processes and IT systems across the authority were found to be generally sound.
- 5.5 This opinion feeds into the Annual Governance Statement which is the subject of a separate report to this committee.

6 Conforming with the Public Sector Internal Audit Standards

- 6.1 The Public Sector Internal Audit Standards came into effect from 1st April 2013 and the work of the Internal Audit section is assessed for compliance against these standards annually.
- 6.2 A checklist for compliance has been completed and it is found that the Internal Audit function is “generally conforming” to the standards. Conformance remains at about 99% of the points listed in the standards.
- 6.3 There are two areas of only partial compliance. These are where the Chief Internal Auditor’s annual appraisal is expected to have the input of the Chief Executive and the Chair of the Audit Committee. It has been agreed that although these two posts are not specifically asked to contribute, they are both able to give feedback on the work of the Manager throughout the year through various meetings.
- 6.4 It is the opinion of the Chief Internal Auditor that the Council’s Internal Audit Service generally conforms with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013.
- 6.5 The standards require an external review to be carried out at least every five years. A review of the audit function was carried out as a peer review by other members of the Sussex Audit Group in 2018. The results of this review were fully reported to the Audit and Standards Committee at the September 18 meeting. The report from the reviewers stated that the audit function at Lewes generally conforms to the standards set out in the PSIAS.
- 6.6. The Internal Audit team has maintained its independence throughout 2020/2021 in accordance with the Audit Charter.

7 Financial appraisal

- 7.1 There are no financial implications relating to expenditure arising from this report. Details of savings generated by the Counter Fraud team are included in Appendix C.

8 Legal implications

- 8.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

9 Risk management implications

- 9.1 If the Council does not have an effective governance framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

10 Equality analysis

- 10.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

11 Environmental sustainability implications

- 11.1 Not applicable.

12 Appendices

- 12.1 Appendix A – List of all reports issued in final during the year which were given an assurance level below “Substantial” with any issues highlighted in the reviews which informed the assurance level given.
- 12.2 Appendix B – Outstanding recommendations/actions.
- 12.3 Appendix C – Counter Fraud work and savings.

13 Background papers

Internal Audit reports issued throughout the year.

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APPENDIX A

Reasons for original assurance levels given (below Substantial)

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

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Main Accounting (19/20)	Partial	<ul style="list-style-type: none"> • Budget holders indicated they would like more training • Written procedures have not been updated to reflect shared service • Cafi does not reflect the current organisation structure • Recharges between councils are not carried out on a regular monthly basis • Regular reconciliations between the general ledger and feeder files (e.g. rents, council tax etc.) are not being carried out 	Annual Audits are followed up when the following year's audit is completed.
Payroll (19/20)	Partial	<ul style="list-style-type: none"> • The Authorised Signatory List requires updating • Processes around honoraria payments needs to be reviewed • Some forms do not request detailed information or adequate information was not entered. 	Annual Audits are followed up when the following year's audit is completed
Cash and Bank (19/20)	Partial	<ul style="list-style-type: none"> • Written procedures are out of date • Cash is held securely but a number of staff are able to access the area where the cash is held. 	Annual Audits are followed up when the following year's audit is completed
Debtors (19/20)	Partial	<ul style="list-style-type: none"> • Information/evidence is retained in various areas and some is retained on Outlook. • Authorisation for raising invoices is not consistently retained • The Authorised Signatory List requires updating • Debt recovery procedures require updating. 	Annual Audits are followed up when the following year's audit is completed

APPENDIX A

Reasons for original assurance levels given (below Substantial)

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

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
Housing Rents (19/20)	Partial	<ul style="list-style-type: none"> • Lack of reports from Housing software required to carry out some areas of work • Procedures for entering some types of tenancy require review • Delays in debt recovery action • Access to standing data on the Housing system needs to be reviewed • Arrears recovery procedures need to be aligned and updated 	Annual Audits are followed up when the following year's audit is completed
Creditors (19/20)	Partial	<ul style="list-style-type: none"> • The Authorised Signatory List requires updating • Information/evidence is retained in various areas and some is retained on Outlook. • No documented procedures for verifying bank account changes nor is evidence of checks retained • Purchase orders are not always raised in a timely manner. 	Annual Audits are followed up when the following year's audit is completed
Information Technology (19/20)	Partial	Owing to workload pressures within IT due to Covid-19 it was only possible to carry out a light touch audit. As it was not possible to carry out testing a "partial" assurance level was given. A full review will be carried out for 2020/21.	Full review to be carried out in 20/21
Business Continuity Planning	Minimal	<ul style="list-style-type: none"> • There is no lead officer for business continuity planning • There is no appropriately skilled or resourced Business Continuity Planning function • The council does not hold a strategic Business Continuity Plan 	Follow up due February 21

APPENDIX A

Reasons for original assurance levels given (below Substantial)

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

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
		<ul style="list-style-type: none"> There is a lack of business continuity plans at a department level 	
Rechargeable Repairs	Partial	<ul style="list-style-type: none"> A number of tenancy agreements could not be found during testing No check is made that invoices sent out are correct The number of post inspections had fallen due to Covid restrictions. 	Follow up due March 21
IR35	No	<ul style="list-style-type: none"> Pockets of knowledge on the subject in different areas of the council but not working together A status determination statement on file was completed by the consultant The status of the golf pro is unclear Guidance on the intranet does not cover the full process and is not easily found Consultants have been set up on council systems as if they are employees. 	Follow up due March 21
Arrears Collection	Partial	<ul style="list-style-type: none"> Aged debt analyses not being utilised to inform debt collection Lack of shared knowledge and expertise in debt collection as split between departments. 	Follow up due April 2021
Leaseholder Management and Recharges	Partial	<ul style="list-style-type: none"> The Leaseholder handbook is out of date Copies of some leases could not be found for the audit. 	Follow up due June 21
Procurement	Partial	<ul style="list-style-type: none"> The council does not have a Procurement Strategy 	Follow up due June 21

APPENDIX A

Reasons for original assurance levels given (below Substantial)

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

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED	Level at follow up
		<ul style="list-style-type: none"> • The council does not have a representative on any local procurement group • The use of corporate contracts is not adequately communicated • There is no reporting on savings made through contract procurement • The Creditors system is not being utilised to highlight opportunities to put contracts in place. • Non-compliance with raising of purchase orders is not being monitored and reported. 	
Implementation of Housing CX	Partial	<ul style="list-style-type: none"> • Some reports required from the system are still not available • Lack of resource for communication between departments and those writing reports 	Follow up due June 21
Fly Tipping	Partial	<ul style="list-style-type: none"> • No policy on fly tipping • Procedures require updating • Lack of separation of duties between operational work and authorisation • Information/evidence not held centrally in one place 	Follow up due June 21

APPENDIX B OUTSTANDING RECOMMENDATIONS/ACTIONS

AUDIT REPORT	OUTSTANDING RECOMMENDATION	COMMENTS
None	None	None
OTHER REPORTS TO COMMITTEE	OUTSTANDING ACTION	COMMENTS
Risk Management	Hold facilitated workshops for CMT and Members to refresh understanding of roles and responsibilities.	Currently writing an in-house Olle course.
	Interactive training workshops across all levels.	
	Risk management refresher training for Members (especially newer ones).	
	All risk assessments to be put back onto Pentana Performance.	
	Contract risk management training and awareness, with a view to identifying strategically important contracts and associated risks.	
	Operational and service level risks to be recorded on one risk assessment for each service area. Service level risk registers to be reviewed six monthly at CMT with Directors/Asst Directors responsible for the service level risk registers.	This will be completed once risk assessments have been produced.
Service level risk registers to be discussed at Departmental Management Team meetings.	Senior Managers to be reminded of this once the risk assessments have been completed.	

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LEWES COUNTER FRAUD SAVINGS

	QUARTER ONE		QUARTER TWO		QUARTER THREE		QUARTER FOUR		YEAR TOTAL	
	Income	Savings	Income	Savings	Income	Savings	Income	Savings	Income	Savings
Tenancy Housing										
Recovery of council properties									£0.00	£0.00
RTB value saved through intervention				£575,300.00					£0.00	£575,300.00
Housing intervention/fraud									£0.00	£0.00
Revenues										
NNDR			£90,821.36		£20,858.00		£11,526.22		£123,205.58	£0.00
Council Tax	£781.38		£2,679.63		£100,389.46		£21,064.62		£124,915.09	£0.00
Value of ongoing CT increase per week	£38.17				£1,434.92		£57,965.55		£59,438.64	£0.00
Council Tax Penalties									£0.00	£0.00
CTR & Housing Benefit										
SPOC Cases									£0.00	£0.00
Council Tax Reduction			£2,679.63						£2,679.63	£0.00
CTR weekly incorrect benefit (WIB)				£1,824.32					£0.00	£1,824.32
Housing Benefit	£41,980.06		£13,085.57		£199.02		£9,359.99		£64,624.64	£0.00
HB weekly incorrect benefit (WIB)		£19,301.76		£3,575.68				£2,880.00	£0.00	£25,757.44
Income from Adpen collection									£0.00	£0.00
NFI										
Number of open matches									£0.00	£0.00
Number of closed matches									£0.00	£0.00
Awaiting Processing									£0.00	£0.00
Overpayments identified									£0.00	£0.00
Weekly incorrect benefit identified									£0.00	£0.00
OTHER INVESTIGATIONS										
Procurement									£0.00	£0.00
Internal									£0.00	£0.00
DPA									£0.00	£0.00
Income from court costs									£0.00	£0.00
TOTALS	£42,799.61	£19,301.76	£109,266.19	£580,700.00	£122,881.40	£0.00	£99,916.38	£2,880.00	£374,863.58	£602,881.76

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Report to:	Audit and Standards Committee
Date:	26 July 2021
Title:	Strategic Risk Register Quarterly Review
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To report to Committee the outcomes of the quarterly review of the register by Corporate Management Team.
Officer recommendation(s):	To receive and note the update to the Strategic Risk Register.
Reasons for recommendations:	The Council is committed to proper risk management and to regularly updating the Committee with regard to the Strategic Risk Register.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 The Strategic Risk Register is a high level document that records the key risks facing the council: those risks that would prevent the authority from achieving its overall strategies and objectives.
- 1.2 Maintaining the Strategic Risk Register is a vital part of the governance arrangements of the authority and, as such, it is overseen by the Corporate Management Team who review it on a quarterly basis.
- 1.3 The risk register shows the risk, a description of the risk, the risk score if no action is taken (original risk score), the internal controls put in place to mitigate the risk and the risk score after these controls are in place (current risk score).
- 1.4 The risk register is brought to the committee when any changes have been made to it following review by the Corporate Management Team.

2 June 2021 Review

- 2.1 The Strategic Risk Register was taken to Corporate Management Team on 23rd June 2021 for the quarterly review.

2.2 The Corporate Management Team also discussed the current risks and agreed the following:

- as the Covid-19 pandemic has progressed it is felt that heightened risks have been handled or addressed and therefore risk levels could revert back to pre-Covid levels.
- the exception to the above is risk SR_002 “Changes to the economic environment makes the council economically less stable”. It was agreed that this risk level should remain high.
- SR_008 “Failure to meet regulatory or legal requirements”. Internal control number 4 – the wording has been updated to reflect the current position.

2.3 The Head of Legal Services was contacted to enquire whether risk SR_011 was still required. This risk was “Judicial challenge of decision-making is heightened as a consequence of increased reliance on use of officer delegated powers. This risk was added as a result of committee meetings going on-line only during the Covid-19 pandemic. The Head of Legal Services agreed that with face-to-face meetings re-commencing, this risk is no longer relevant. The risk has therefore been removed from the register.

2.4 The changes can be seen on the attached Strategic Risk Register.

3. Financial appraisal

3.1 There are no financial implications arising from this report.

4. Legal implications

4.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

5. Risk management implications

5.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council’s external auditor or the public.

6. Equality analysis

6.1 An equalities impact assessment is not considered necessary because the report is for information only and involves no key decisions.

7. Appendices

7.1 Appendix A - Strategic Risk Register

8. Background papers

None.

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Strategic Risk Register (Lewes)



Report Type: Risks Report
Generated on: 25 June 2021

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Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_021	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	<u>Reduces Likelihood</u> 1. Create inclusive governance structures which rely on sound evidence for decision making. <u>Reduces Impact</u> 2. Annual review of corporate plan and Medium-Term Financial Strategy 3. Creating an organisational architecture that can respond to changes in the environment.	Chief Executive	2	3	6	Amber	03-Aug-2021
SR_022	Changes to the economic environment makes the Council economically less sustainable	1. Economic development of the town suffers. 2. Council objectives cannot be met. 3. Newhaven town suffers economic impact from Brexit	5	5	25	<u>Reduces Impact</u> 1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macro-economic environment triennially. 2. Creating an organisational architecture that can respond	Chief Finance Officer	4	5	20	Red	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>and the effects on the port.</p> <p>4. Council will need to provide a new service for inspecting imports at the port.</p> <p>5. Covid-19 has had a significant impact on the council's finances.</p>				<p>to changes in the environment.</p> <p>3. Working with the port authority to provide support, advice and to help explore funding options.</p> <p>4. Council seeking funding from DEFRA to set up new service for inspecting imports.</p> <p><u>Reduces Likelihood</u></p> <p>5. The council is currently in ongoing discussions with the Ministry of Housing, Communities and Local Government around financial support to cover costs related to expenditure on responses to the Covid-19 pandemic.</p>						
SR_023	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p> <p>3. Council structure unsustainable and not fit for purpose.</p> <p>4. Heightened likelihood of fraud.</p>	5	5	25	<p><u>Reduces Impact</u></p> <p>1. Grounding significant corporate decisions based on up to date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling).</p> <p>2. Ensuring community and interest group engagement in</p>	Director of Service Delivery	3	3	9	Amber	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>5. Brexit may lead to increased traffic through Newhaven to the port.</p> <p>6. Failure to support Newhaven Port Authority in the changes could result in an economic downturn in the town.</p>				<p>policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme)</p> <p>3. Working with the Port Authority to provide support, advice and to help explore funding options.</p> <p>4. Council seeking funding from DEFRA to set up new service for inspecting imports which could result in new jobs</p>						
SR_024	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	<p><u>Reduces Likelihood</u></p> <p>1. Changes increase non-financial attractiveness of LDC to current and future staff.</p> <p>2. Appropriate reward and recognition policies reviewed on a regular basis.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>3. Review of organisation delivery models to better manage the blend of direct labour provision. Pursuit of mutually beneficial shared service arrangements.</p>	Asst Director for HR and Transformation	3	2	6	Amber	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_025	Not being able to sustain a culture that supports organisational objectives and future development.	<ul style="list-style-type: none"> 1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure 6. Increased possibility of fraud. 	4	4	16	<p><u>Reduces Likelihood</u></p> <ul style="list-style-type: none"> 1. Deliver a fit for purpose organisational culture. 2. Continue to develop our performance management capability to ensure early intervention where service and/or cultural issues arise. 3. Continue to develop communications through ongoing interactions with staff. 	Asst Director for HR and Transformation	3	4	12	Amber	03-Aug-2021
SR_026	Council prevented from delivering services for a prolonged period of time.	<ul style="list-style-type: none"> 1. Denial of access to property 2. Denial of access to technology/information 3. Denial of access to people 	5	5	25	<p><u>Reduces Likelihood</u></p> <ul style="list-style-type: none"> 1. Adoption of best practice IT and Asset Management policies and procedures. <p><u>Reduces Likelihood and Impact</u></p> <ul style="list-style-type: none"> 2. The council has created a more flexible, less locationally dependent service architecture. <p><u>Reduces Impact</u></p> <ul style="list-style-type: none"> 3. Regularly reviewed and tested Business Continuity Plans. 	Chief Executive	2	4	8	Amber	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						4. Regularly reviewed and tested Disaster Recovery Plan.						
SR_027	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act	<p>1. Service profile of the Council changes materially as a result of the impact of the event.</p> <p>2. Cost profile of the Council changes materially as a result of the impact of the event.</p> <p>3. Work adversely affected by reduced staff numbers owing to effects of pandemic virus.</p>	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Working in partnership with other public bodies.</p> <p>2. Robust emergency planning and use of Council's emergency powers.</p> <p><u>Reduces Impact</u></p> <p>3. Ongoing and robust risk profiling of local area (demographic and geographic).</p> <p>4. Review budget and reserves in light of risk profile.</p>	Chief Executive	2	3	6	Amber	03-Aug-2021
SR_028	Failure to meet regulatory or legal requirements	<p>1. Trust and confidence in the Council is negatively impacted.</p> <p>2. Deterioration of financial position as a result of regulatory intervention/penalties</p>	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Developing, maintaining and monitoring robust governance framework for the Council.</p> <p>2. Building relationships with regulatory bodies.</p> <p>3. Develop our Performance Management capability to</p>	Chief Executive	2	4	8	Amber	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		3. Deterioration of service performance as a result of regulatory intervention/penalties				<p>ensure early intervention where service and/or cultural issues arise.</p> <p>4. The Council has adopted and published an Asset Management Strategy (AMS) that set out how the Council uses its land and property assets effectively to deliver its service and the rules by which the Council can purchase assets in the future. These strategies are updated on a yearly basis as part of the Capital and Medium-Term Financial Strategies.</p> <p>5. Ensure there is full understanding the impact of new legislation.</p> <p>6. All managers are required to abide by the Council's procurement rules.</p> <p>7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.</p>						
SR_029	Commercial enterprises that	1. Unfamiliar activity with staff	5	5	25	<u>Reduces Likelihood</u>	Director of	3	3	9	Amber	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
	are fully controlled by the authority do not deliver financial expectations or do not meet governance requirements.	<p>inexperienced in this area</p> <p>2. Council finances affected if projects do not meet financial expectations.</p> <p>3. Reputational damage if governance procedures are inadequate.</p> <p>4. Failure to abide by company law.</p>				<p>1. Hire suitably qualified/experienced staff to give legal and specialist support.</p> <p>2. Ensure that projects meet core principles.</p> <p>3. Up or re-skill staff to maximise commercial opportunities.</p> <p>4. Ensure governance processes are set up and adhered to.</p>	<p>Regeneration and Planning</p> <p>And</p> <p>Chief Executive</p>					
SR_030	The Council suffers a personal data breach by inadequate handling of data or by an IT incident	<p>1. Trust and confidence in the Council is negatively impacted.</p> <p>2. Deterioration of financial position as a result of regulatory intervention/penalties</p> <p>3. Deterioration of service performance as a result of regulatory intervention/penalties</p>	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Ongoing corporate training for data protection.</p> <p>2. Ensure all staff complete the e-learning Data Protection course.</p> <p>3. Ensure that the Data Protection Policy is regularly reviewed.</p> <p>4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions.</p>	Chief Executive	2	4	8	Amber	03-Aug-2021

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		4. Increased probability of compensation claims by persons affected by a personal data breach.				<p>5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements.</p> <p>6. Ensure the suite of IT policies is kept up to date.</p> <p>7. Ensure that IT security is in place and regularly tested.</p> <p><u>Reduces Impact</u></p> <p>8. Incident management procedures to mitigate loss or breach of data are in place.</p>						

Report to:	Audit and Standards Committee
Date:	26 July 2021
Title:	Annual Governance Statement
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To seek Councillors' approval of the Annual Governance Statement.
Officer recommendation(s):	To comment on and approve the draft Annual Governance Statement.
Reasons for recommendations:	To meet the Council's legal requirement to produce an Annual Governance Statement.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: Jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

1.1 Corporate governance involves everyone in local government. Two definitions are:

“Ensuring the organisation is doing the right things, in the right way, for the right people, in an open, honest, inclusive and timely manner” – Audit Commission.

“How the local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.” – CIPFA/SOLACE

1.2 The council has a legal requirement to produce an Annual Governance Statement each year in accordance with the Accounts and Audit Regulations, 2015. The statement accompanies the Statutory Statement of Accounts once adopted.

1.3 The Audit and Standards Committee is tasked with overseeing the risk management, internal control and reporting to the council. A key component of this work is to approve the Annual Governance Statement.

2 Governance Framework

- 2.1 The Annual Governance Statement is the report produced at the end of the year on the control environment of the council. However this is just the end product of the framework of governance operating within the authority throughout the year.
- 2.2 Appendix 1 shows the framework for gathering the assurances and how this is effected by, and affects, the relationship with partners, stakeholders and the community. Following this framework should ensure that the council meets the principles of corporate governance.
- 2.3 Use of this framework also allows the council to demonstrate how its assurance gathering process links the strategic objectives and statutory requirements of the authority and how these objectives are to be delivered.
- 2.4 Appendix 2 shows a timetable for the gathering of assurances to produce the Annual Governance Statement. Certain elements are ongoing throughout the year whereas others are specifically produced at the year-end in order to feed directly into the Annual Governance Statement.
- 2.5 It is important to have a defined timeline for the gathering of information on assurance as there is a deadline for the publication of the Statement of Accounts alongside of which the Annual Governance Statement must be published.
- 2.6 Appendix 3 shows the areas covered by the Managers' Assurance Statement which includes coverage of the Bribery Act, Safeguarding, RIPA and frauds over £10k as well as items of general governance. The statements are intended to cover the operational, project and partnership responsibilities of Heads of Service. These can also be used to highlight concerns and actions required to improve governance throughout the council.
- 2.7 This year, extra questions were asked in the Managers' Assurance Statements. These were in respect of the effect of the response to the Covid-19 pandemic. These questioned related to:
- impact on governance arrangements
 - suspended / weakened controls or work-arounds
 - cessation / scaling back of business as usual causing gaps in governance arrangements
 - other issues impacting on governance arrangements
 - challenges caused by changes to working which will continue after the pandemic
- 2.8 These statements are completed by Directors, Assistant Directors and Heads of Service. The comments made on the statements are considered for inclusion in the Annual Governance Statement.

3 Content of the Annual Governance Statement

3.1 The Annual Governance Statement is a document that provides a structure in which to consider the council's governance arrangements and their effectiveness. This ensures that major control issues are identified and action taken to address these issues.

3.2 There are essentially three parts to the statement:

- a statement of responsibility and purpose
- a description of the components of the governance framework that exist in the council
- the resulting issues and actions arising from those arrangements

3.3 The Annual Governance Statement also carries a statement on the adequacy of the authority's counter fraud arrangements.

3.4 It is important that the Annual Governance Statement is accessible but this has to be balanced by a need to ensure that all relevant information is included. The Annual Governance Statement has therefore been reviewed and much of the information put into a table format to make it easier to find information. Wherever possible, hyperlinks or URLs have been included to link to relevant information. A table has also been added which covers companies and gives details of the council's relationship with these bodies.

4 The 2020-2021 review

4.1 One of the sources of assurance for the Annual Governance Statement should come from senior managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors, Assistant Directors and Heads of Service. As stated at 2.7, this year extra questions were added in respect of the effects of the response to the Covid-19 pandemic. Once completed the responses received are used to inform the governance statement.

4.2 A review of the returned statements highlighted two issues which were raised by several respondents.

- Financial pressures – a few statements raised concerns about the financial pressures caused by depleted income owing to the council's response to Covid-19.
- Adapted controls – some concerns were raised in a few statements around the issues of controls which were adapted to facilitate the council's response to the Covid-19 pandemic.

4.3 Issues Considered by Corporate Management Team

At a meeting of the Corporate Management Team several issues were considered for inclusion in the Annual Governance Statement.

The following were considered to be issues to just be mentioned in the body of the Annual Governance Statement.

- Financial pressures – it is acknowledged that the council has been seriously affected by the depletion of income caused by the response to the Covid-19 pandemic. It is considered that this is not currently a significant governance issue as the council has been, and continues to be, in discussion with the Ministry of Housing, Communities and Local Government. The council has also developed plans to identify and deliver savings.
- Adapted controls – some controls needed to be adapted to allow the council to continue working in new ways as a response to the Covid-19 pandemic. Early on Internal Audit contacted all managers to offer help and advice on adapting controls and managers identified and monitored these without using sight of the need for the control. This issue is therefore not considered to be a significant governance issue.
- Document retention – document retention is still considered an issue. However, a project is ongoing to identify paper documents and arrange necessary destruction and storage. Work has also commenced to delete information held electronically. However, there is still work to be undertaken to fully identify all the electronically held documentation. The Corporate Management Team considered that, with the ongoing work, this is not considered a significant governance issue.

4.4 Consideration was also given to the Housing software which has been noted as a significant governance issue for the past two years. It is recognised that significant progress has been made to resolve these issues. However, some of the problems caused by the issues are still working their way through processes and systems. Although the originating issue has been resolved, the problem caused still affected work in the financial year 2020-21. As this Annual Governance Statement covers 2020-21 it was agreed that the Housing software system should again be shown as a significant governance issue.

4.5 The committee is requested to consider the attached draft Annual Governance Statement (Appendix 4). Once agreed by the committee the Annual Governance Statement will be passed to the Leader of the Council and the Chief Executive to sign off and it will then be published on the council's website.

5. **Managing the Risk of Fraud and Corruption**

5.1 The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- acknowledge responsibility
- identify risks
- develop a strategy
- provide resources
- take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

6 Financial appraisal

6.1 There are no financial implications arising from this report.

7 Legal implications

7.1 This report is for noting only and therefore the Legal Services team has not been consulted on the content of it.

8 Risk management implications

8.1 Failure to produce an Annual Governance Statement, and to maintain proper assurance arrangements to support its production, can reduce the likelihood of the council meeting its objectives, and attract criticism from the council's stakeholders and the council's external auditor. The Audit and Standards Committee review of the Annual Governance Statement significantly reduces these risks.

9 Equality analysis

9.1 A detailed Equality analysis is not required for this report.

10 Appendices

10.1 Appendix 1 – Governance Framework

10.2 Appendix 2 – Annual Governance Statement Timetable

10.3 Appendix 3 – Managers' Assurance Statement

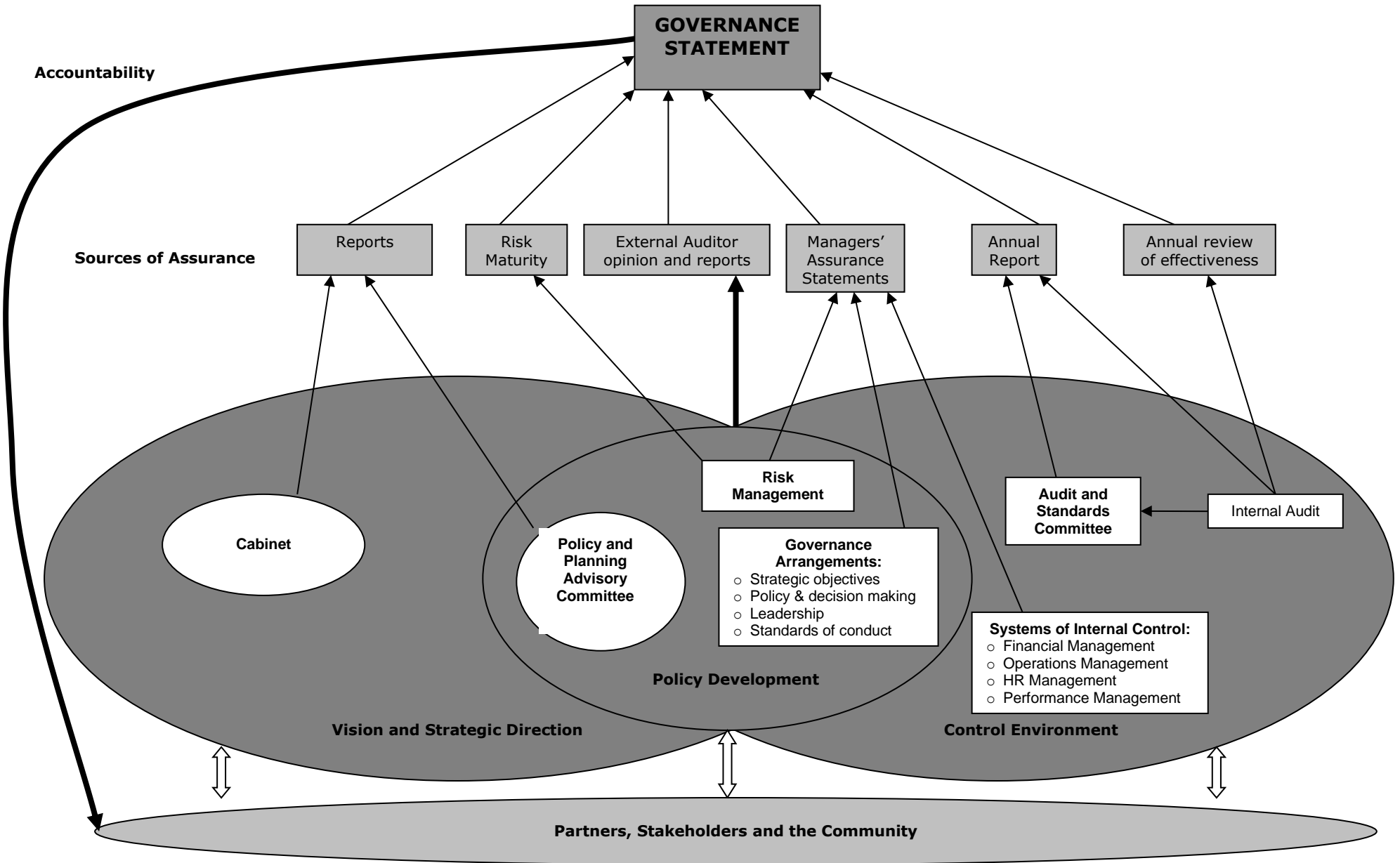
10.4 Appendix 4 – Annual Governance Statement

11 Background papers

11.1 Internal Audit Report for the financial year 2020-2021.

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APPENDIX 1



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Appendix 2

ANNUAL GOVERNANCE STATEMENT TIMETABLE

Deadline	Responsibility	Action
Throughout year		1/4ly updates of the Strategic Risk Register
	Chief Internal Auditor	Internal Audit reports
	External Auditor	External Audit reports
	All Managers	Management reports
		Other sources of assurance
April/May	All Managers	Managers Assurance Statements completed (to include RIPA statement)
	Chief Finance Officer	Preparation of the Annual Governance Statement
	CMT	Annual Governance Statement considered
July	Chief Internal Auditor	Internal Audit Annual report presented to Audit Committee
	Chief Internal Auditor	Internal Audit Annual report presented to Audit Committee
	Chief Finance Officer, Leader and Chief Executive	Annual Governance Statement signed by Leader and Chief Executive
	Audit Committee	Annual Governance Statement published

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APPENDIX 3 – Managers’ Assurance Statement and Governance Statement for the Corporate Management Team.

Governance Responsibility	Demonstrated by:
Services are planned and managed to implement the priorities of Eastbourne Borough Council.	<ul style="list-style-type: none"> • Service plan aligned to the Council’s priorities • Plans in place to monitor the quality of service to users and seek continuous improvements • Making best use of resources to ensure excellent service and value for money is achieved • Dealing effectively with any failures in service delivery.
There are good working relationships with Members and officers responsibilities are clearly defined.	<ul style="list-style-type: none"> • Statutory Officers have clearly defined scope and status to fulfil their roles • Delegated powers are clearly defined and understood • Member/officer protocol operates effectively in practice • Partnership governance arrangements are clearly defined and appropriate
The values of good governance are demonstrated and high standards of conduct and behaviour.	<ul style="list-style-type: none"> • Effective communication to all staff of the code of conduct, standing orders, Financial Procedure Rules, Contract Procedure Rules and Anti Fraud and Corruption Policy • Effective performance management of staff and regular appraisals • The Council’s values are understood and promoted
Management decision making and advice to Members are well founded and involve consideration of professional advice and identified risks.	<ul style="list-style-type: none"> • Effective arrangements to ensure data quality (complete, accurate, timely and secure) • The internal control framework operates effectively • Professional advice is obtained where appropriate and is recorded • Risk management operates effectively in strategic, project and operational areas • Decisions made are in accordance with delegated powers and the Council’s constitution • Arrangements are in place to obtain assurance on the management of key risks

APPENDIX 3 – Managers’ Assurance Statement and Governance Statement for the Corporate Management Team.

<p>The capacity and capability of officers has been developed to ensure effective performance.</p>	<ul style="list-style-type: none"> • Training and development of staff • Workforce planning to ensure there are adequate staffing levels • Statutory officers have sufficient resources to fulfil their role
<p>Robust public accountability is ensured by engaging with local people and stakeholders</p>	<ul style="list-style-type: none"> • Arrangements to communicate with relevant sections of the community • Undertaking effective consultation with public and other stakeholders • Consultation with staff and engagement in decision making is undertaken
<p>Adequate processes have been put in place for the safeguarding of children and vulnerable adults.</p>	
<p>Adequate action has been taken to ensure compliance with the requirements of the Bribery Act.</p>	<ul style="list-style-type: none"> • Proportionate procedures have been put in place to prevent bribery • The risks of bribery have been assessed and added to the departmental risk register • Procedures and risks are regularly monitored and reviewed.
<p>Are you satisfied that documents are held and disposed of in accordance with data protection requirements and the Councils' Retention and Disposal Schedule?</p>	
<p>Has any external review been carried out in your department?</p>	
<p>Have you had reason for using/considering using surveillance which would fall under RIPA?</p>	
<p>Have you used or considered using covert/directed surveillance either under RIPA or outside it?</p>	
<p>Are you aware of any frauds over £10k that have not already been informed to the Internal Audit section.</p>	

Lewes District Council

Annual Governance Statement

Responsibility

Lewes District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It also needs to ensure that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

In discharging this overall responsibility, the council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

What is governance?

Governance is about how the council ensures that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems, processes, cultures and values by which the council is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

Lewes District Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE¹ Framework *Delivering Good Governance in Local Government*. A copy of the code is available on the website (www.lewes-eastbourne.gov.uk/access-to-information/financial-information/corporate-governance)

This statement explains how the council has complied with the code and also meets the requirements of Part 2, 6(1) of the Accounts and Audit Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

Appendix 4

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The Governance Framework

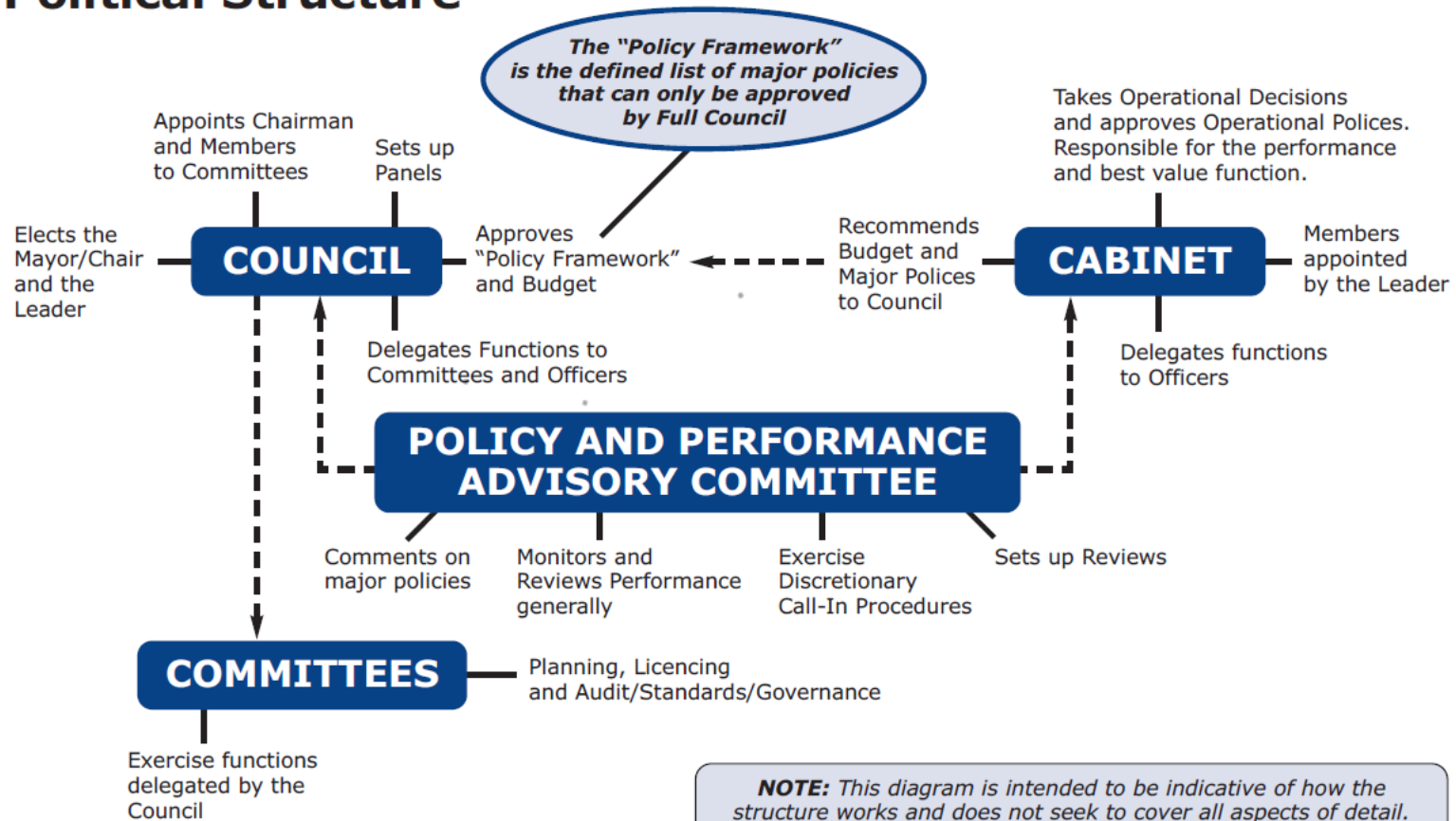
Key elements of the systems and processes that comprise the authority's governance arrangements are listed below with links to the council's website where relevant information can be found.

- Corporate plan (priority themes for four years) - <https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/>
- Constitution (inc. statutory officers, scheme of delegation and financial procedure rules) - <https://www.lewes-eastbourne.gov.uk/about-the-councils/constitutions/>
- Council, Cabinet, Committees and Panels - <https://democracy.lewes-eastbourne.gov.uk/mgListCommittees.aspx?CT=13215>
- Corporate and service plans - <https://www.lewes-eastbourne.gov.uk/about-the-councils/corporate-plans/>
- Risk Management Policy
- Anti-Fraud and Anti-Corruption Policy (including Whistleblowing and Anti Bribery)
- Project Management methodology
- Medium Term Financial Strategy - <https://www.lewes-eastbourne.gov.uk/access-to-information/financial-information/medium-term-financial-statement-and-annual-budget/>
- Complaints procedure - <https://www.lewes-eastbourne.gov.uk/about-the-councils/make-a-complaint/>
- Head of Paid Service, Monitoring Officer and S. 151 Officer
- HR policies and procedures
- Staff and Member training
- Codes of conduct for staff and Members
- Corporate Management Team
- Internal Audit and Counter Fraud
- External sources

The diagram on the next page shows how the political structure of the council works and interacts.

How it Works...

The Modernised Political Structure



Review of Effectiveness

The council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The table below shows the areas where assurance is required and the sources of that assurance.

The governance framework has been in place at the council for the year ended 31 March 2021 and up to the date of approval of the Annual Accounts.

GOVERNANCE FRAMEWORK

ASSURANCE REQUIRED ON	SOURCES OF ASSURANCE	ASSURANCES RECEIVED
Delivery of corporate priorities	<ul style="list-style-type: none"> • Corporate Plan • Council, Cabinet, Committees and Panels • Corporate and service plans • Medium term financial strategy • Corporate Management Team 	<ul style="list-style-type: none"> • Weekly meetings of the Corporate Management Team • Policy and Performance Advisory Committee meetings • Cabinet meetings
Economy, efficiency and effectiveness	<ul style="list-style-type: none"> • Council, Cabinet, Committees and Panels • Corporate and service plans • Medium term financial strategy • Corporate Management team • Internal Audit and Counter Fraud • External sources 	<ul style="list-style-type: none"> • Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee • Weekly meetings of the Corporate Management Team • Quarterly meetings of the Audit and Standards Committee • Policy and Performance Advisory Committee meetings • Cabinet meetings

ASSURANCE REQUIRED ON	SOURCES OF ASSURANCE	ASSURANCES RECEIVED
Management of risk	<ul style="list-style-type: none"> • Council, Cabinet, Committees and Panels • Corporate and service plans • Risk management policy • Anti-fraud and anti-corruption policy • Complaints procedure • Corporate Management Team • Internal Audit and Counter Fraud • External sources 	<ul style="list-style-type: none"> • Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee • Weekly meetings of the Corporate Management Team • Quarterly meetings of the Audit and Standards Committee • Policy and Performance Advisory Committee meetings • Managers' Assurance Statements
Financial planning and performance	<ul style="list-style-type: none"> • Constitution (including the Financial Procedure Rules) • Corporate and service plans • Medium term financial strategy • External sources 	<ul style="list-style-type: none"> • Weekly meetings of the Corporate Management Team • Quarterly meetings of the Audit and Standards Committee • Policy and Performance Advisory Committee meetings • Cabinet meetings • External Auditor's Annual Audit Letter
Effectiveness of internal controls	<ul style="list-style-type: none"> • Anti-fraud and Anti-corruption Policy • Complaints procedure • S. 151 Officer • Corporate Management Team • Internal Audit and Counter Fraud • External sources 	<ul style="list-style-type: none"> • Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee • Weekly meetings of the Corporate Management Team • Quarterly meetings of the Audit and Standards Committee • Policy and Performance Advisory Committee meetings • External Auditor's Annual Audit Letter • Other external reviews carried out from time to time • Managers' assurance statements

ASSURANCE REQUIRED ON	SOURCES OF ASSURANCE	ASSURANCES RECEIVED
Community Engagement	<ul style="list-style-type: none"> • Council, Cabinet, Committees and Panels • Corporate and service plans • Corporate Management Team 	<ul style="list-style-type: none"> • Community consultations • Weekly meetings of the Corporate Management Team
Shared service governance	<ul style="list-style-type: none"> • Council, Cabinet, Committees and Panels • Corporate and service plans • Corporate Management Team • Internal Audit and Counter Fraud 	<ul style="list-style-type: none"> • Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee • Weekly meetings of the Corporate Management Team
Project management and delivery	<ul style="list-style-type: none"> • Project management methodology • Internal Audit and Counter Fraud 	<ul style="list-style-type: none"> • Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee • Weekly meetings of the Corporate Management Team • Policy and Performance Advisory Committee meetings
Procurement processes	<ul style="list-style-type: none"> • Constitution (including the Contract Procedure Rules) • Internal Audit and Counter Fraud 	<ul style="list-style-type: none"> • Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee • Weekly meetings of the Corporate Management Team • Quarterly meetings of the Audit and Standards Committee • Policy and Performance Advisory Committee meetings
Roles and responsibilities of Members and officers	<ul style="list-style-type: none"> • Constitution • Head of Paid Service, Monitoring Officer and S.151 Officer 	<ul style="list-style-type: none"> • Weekly meetings of the Corporate Management Team
Standards of conduct	<ul style="list-style-type: none"> • Anti-fraud and anti-corruption policy • HR policies and procedures • Codes of conduct for staff and Members • Complaints procedure 	<ul style="list-style-type: none"> • Weekly meetings of the Corporate Management Team

ASSURANCE REQUIRED ON	SOURCES OF ASSURANCE	ASSURANCES RECEIVED
	<ul style="list-style-type: none"> Monitoring Officer 	
Training and development for Members and officers	<ul style="list-style-type: none"> HR policies and procedures Staff and Member training Monitoring Officer 	<ul style="list-style-type: none"> Council's democratic arrangements
Compliance with legislation, regulations, policies and procedures	<ul style="list-style-type: none"> Constitution Anti-fraud and anti-corruption policy Complaints procedure HR policies and procedures Corporate Management Team Internal Audit and Counter Fraud External sources Monitoring Officer 	<ul style="list-style-type: none"> Internal Audit reports and quarterly reports to Corporate Management Team and Audit and Standards committee Weekly meetings of the Corporate Management Team Quarterly meetings of the Audit and Standards Committee Policy and Performance Advisory Committee meetings Managers' assurance statements

Opinion of the Chief Internal Auditor

It must be noted that the impact of the Covid-19 pandemic has had a significant effect across the council. At the start of the financial year staff from the Internal Audit team were temporarily redeployed to help other departments with the initial responses to the pandemic. However, once it became clear that the effect of Covid-19 would be felt in the longer term, the staff returned to their Audit duties. Later in the year the team was running for six months with two vacancies. In spite of these issues the team managed to complete a range of audits across the departments of the council. The only areas not reviewed were Tourism and Events, however as these areas were not able to operate for any length of time during the year, it is not considered to be a reason for limiting the opinion on the control environment.

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and Events, however as these areas were not able to operate for any length of time during the year, it is not considered to be a reason for limiting the opinion on the control environment.

The opinion of the Chief Internal Auditor, as noted in the annual report on the work of Internal Audit and Counter-Fraud, was that the internal controls in processes and IT systems across the authority were generally found to be sound. This is slightly caveated by the somewhat limited, but considered to be still adequate, breadth of audit reviews carried out which had been caused by vacancies in the team and some redeployment at the beginning of the year.

Managing the Risk of Fraud and Corruption

The Cipfa Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement.

This code contains five principles:

- Acknowledge responsibility
- Identify risks
- Develop a strategy
- Provide resources
- Take action

The Chief Internal Auditor is satisfied that the council meets these principles by having a Counter-Fraud and Audit team who review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

Financial Management Code

The CIPFA (Chartered Institute of Public Finance and Accountancy) Financial Management (FM) Code's intention is to help create a culture of strong financial management and address the financial pressures that councils are facing. The self-regulation approach is also to prevent local authorities 'failing' and avoid any need for any external control or reductions in current powers.

An initial self-assessment of the council's current standing against each of the Financial Management Standards was carried by the Deputy Chief Finance Officers and Chief Internal Auditor in conjunction with the council's Section 151 Officer to determine the current situation and actions required to comply with the Code. Whilst there is a role for the Chief Finance Officer (S151 Officer) to manage compliance, this will be done with a joint responsibility of the council's Corporate Management Team (CMT) and Elected Members.

The council has a satisfactory record of financial management and so, analysing the council's structures, processes and procedures against the FM Code's Financial Management Standards, shows a reasonable level of compliance with these principles. However, there are a number of areas where further actions/consideration needs to be given to ensure compliance with every aspect of the FM Code.

Companies

The council is also expected to report on separate bodies set up by the council and to give a full picture of the relationship with those bodies. The following table gives the details of these bodies and, where appropriate, it includes a link to where information can be found in respect of information such as reports and accounts.

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Aspiration Homes LLP (Limited Liability Partnership)	Incorporated on 30 June 2017. To ensure the councils have the overall capacity to maximise housing investment and funding opportunities. To act as the asset holding vehicle for affordable housing properties that cannot, for financial accounting or other reasons be held in EBC or LDC respective Housing Revenue Accounts.	Limited Liability Partnership LDC and EBC Company number: OC41800	Governed by LLP Agreement and an Executive Committee of 6 - made up of 2 elected members from each authority.	Eastbourne Borough Council Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50% Lewes District Council	Aspiration Homes will act as the asset holding vehicle for affordable housing properties developed through the EHICL and LHICL commercial development programmes. Support has included a £10 million loan to be funded from borrowing by LDC to Aspiration Homes LLP. www.lewes-eastbourne.gov.uk/about-the-

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
				Ownership of voting rights - More than 25% but not more than 50% Right to surplus assets - More than 25% but not more than 50%	councils/wholly-owned-companies-and-other-incorporated-entities

Name and incorporation date (where appropriate)	Current Status and summary purpose	Categorisation (Company number and nature where appropriate)	Governance and Board make up	Council shareholder interest where appropriate	Notes
Lewes Housing Investment Company Ltd (LHICL) (4 July 2017)	Company Active To undertake more commercial development, place shaping activities and hold associated respective assets, in a way which meets legal and regulatory requirements and ensures that the council has distinct control over such assets.	Company LDC only Company number: 10848011	Governed by Articles of Association and a Board of 5 directors made up of senior staff and Elected Members from Lewes District Council.	Wholly owned by Lewes District Council	To enable the council to undertake non HRA development and use associated forms of tenancies www.lewes-eastbourne.gov.uk/about-the-councils/wholly-owned-companies-and-other-incorporated-entities

Managers' Assurance Statements

One of the sources of assurance for the Annual Governance Statement should come from Senior Managers responsible for the operation, management and monitoring of controls within their area of responsibility. The Managers' Assurance Statement is intended to collect this assurance by covering operational, project and partnership responsibilities as well as the Bribery Act, Safeguarding, RIPA and frauds over £10k. The senior manager can highlight concerns and the necessary actions required to improve governance. Assurance statements are sent out to Directors and Assistant Directors and Heads of Service. Once completed their contents are used to inform the governance statement.

This year, extra questions were asked in the Managers' Assurance Statements. These were in respect of the effect of the response to the Covid-19 pandemic. These questioned related to:

- impact on governance arrangements
- suspended / weakened controls or work-arounds
- cessation / scaling back of business as usual causing gaps in governance arrangements
- other issues impacting on governance arrangements
- challenges caused by changes to working which will continue after the pandemic

A review of the returned statements highlighted two issues which were raised by several respondents.

- Financial pressures – a few statements raised concerns about the financial pressures caused by depleted income owing to the council's response to Covid-19.
- Adapted controls – some concerns were raised in a few statements around the issues of controls which were adapted to facilitate the council's response to the Covid-19 pandemic.

At a meeting of the Corporate Management Team several issues were considered for inclusion in the Annual Governance Statement. The following were considered to be issues to just be mentioned in the body of the Annual Governance Statement.

- Financial pressures – it is acknowledged that the council has been seriously affected by the depletion of income caused by the response to the Covid-19 pandemic. It is considered that this is not currently a significant governance issue as the council has been, and continues to be, in discussion with the Ministry of Housing, Communities and Local Government. The council has also developed plans to identify and deliver savings.
- Adapted controls – some controls needed to be adapted to allow the council to continue working in new ways as a response to the Covid-19 pandemic. Early on Internal Audit contacted all managers to offer help and advice on adapting controls and managers identified and monitored these without using sight of the need for the control. This issue is therefore not considered to be a significant governance issue.

- Document retention – document retention is still considered an issue. However, a project is ongoing to identify paper documents and arrange necessary destruction and storage. Work has also commenced to delete information held electronically. However, there is still work to be undertaken to fully identify all the electronically held documentation. The Corporate Management Team considered that, with the ongoing work, this is not considered a significant governance issue.

Consideration was also given to the Housing software which has been noted as a significant governance issue for the past two years. It is recognised that significant progress has been made to resolve these issues. However, some of the problems caused by the issues are still working their way through processes and systems. Although the originating issue has been resolved, the problem caused still affected work in the financial year 2020-21. As this Annual Governance Statement covers 2020-21 it was agreed that the Housing software system should again be shown as a significant governance issue.

COVID-19 PANDEMIC

When lockdown began at the end of March 2020 the council had to act swiftly to be able to continue to provide the statutory services to the public whilst closing the contact centre and having the majority of staff change to working from home. Significant pieces of work were undertaken to ensure staff were set up to work from home as soon as possible, to ensure that as many services as possible were available on-line and to set up staff and members to be able to have virtual meetings through software. The response has given assurance that the council can cope with rapid and substantial changes within a short period of time.

Initially priorities changed to dealing with the immediate responses. These included dealing with increased benefit claims, handling and distributing government grants, welfare calls to tenants and provision of food parcels. Key functions and systems have been maintained partially aided by redeployment of staff.

As was reported to Cabinet and Council in February 2021, the financial impact of the pandemic on the council was expected to result in additional costs in 2020/21 in the region of £2.2m for homelessness prevention, redeployment costs, support for the Leisure services, community grants and cleaning costs.

The council's income streams were also affected, with projected losses in the region of £1.5m including trade waste, car parking, planning income and rental income.

The Government provided support to local authorities through £4.6bn new burdens funding and £3.2m towards homelessness. However, Lewes District Council's share of this was £1.449m, which fell short of the projected costs and losses in 2020/21. Despite this, the council continues to manage its finances effectively to ensure it can keep within the approved budget without the need to draw on reserves.

As the pandemic continues to impact on the council's finances further savings are still needed, and these are being delivered through the Recovery and Reset Programme.

It is expected that, with the anticipated recovery of the local economy, as the country moves forward out of the Covid-19 pandemic, the council's income will start to recover. This will then enable some of the unavoidable reductions in service levels, to be reconsidered and, where appropriate, reinstated and for the council to continue to move forward in delivering against its corporate plan commitments.

SIGNIFICANT GOVERNANCE ISSUES 2020/2021

Area	Issue	Action
Housing software	The Housing software which has been noted as a significant governance issue for the past two years. It is recognised that significant progress has been made to resolve these issues. However, some of the problems caused by the issues are still working their way through processes and systems. Although the originating issue has been resolved, the problem caused still affected work in the financial year 2020-21.	The effects of the issues are being monitored and resolved where necessary.

STATEMENT

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Standards Committee and that, subject to the actions identified above, the arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Signed on behalf of Lewes District Council:

.....
 Leading Member

.....
 Chief Executive

Date: