

**Audit and Standards
Committee
4 July 2022**



Lewes District Council

Time and venue:

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

Membership:

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

Quorum: 4

Published: Thursday, 23 June 2022

Agenda

1 Minutes (Pages 5 - 10)

To confirm and sign the minutes of the previous meeting held on 14 March 2022 (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 External Audit of the Statement of Accounts

Verbal update by Deloitte and Lewes District Council Officers

7 Arrears Collection Audit

Verbal update by Chief Finance Officer and Director of Service Delivery

8 Treasury Management Annual Report 2021/22 (Pages 11 - 42)

Report of Chief Finance Officer

9 Post Assurance Review of the First and Second Phase of Covid Business Grants (Pages 43 - 54)

Report of Chief Internal Auditor

10 Internal Audit and Counter Fraud Report for the financial year 2021-2022 - 1 April 2021 to 31 March 2022 (Pages 55 - 82)

Report of Chief Internal Auditor

11 Strategic Risk Register Quarterly Review (Pages 83 - 94)

Report of Chief Internal Auditor

12 Annual Governance Statement (Pages 95 - 122)

Report of Chief Internal Auditor

13 Date of next meeting

To note that the next meeting of the Audit and Standards Committee is scheduled to be held on Monday, 12 September 2022 in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, East Sussex, 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

For any further queries regarding this agenda or notification of apologies please contact Democratic Services.

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Audit and Standards Committee

Minutes of the meeting held in the Ditchling and Telscombe Rooms, Southover House, Southover Road, Lewes, BN7 1AB, on 14 March 2022 at 10:00am

Present:

Councillor Julian Peterson (Chair);
Councillors Adrian Ross (Vice-Chair), Christine Brett, Isabelle Linington and Christine Robinson

Officers in attendance:

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

Also in attendance (remotely, via Microsoft Teams):

Niren Ramkhelowon (Deloitte) and Ben Sheriff (Deloitte)

47 Minutes

The minutes of the meeting held on 17 January 2022 were submitted and approved, and the Chair was authorised to sign them as a correct record.

48 Apologies for absence/declaration of substitute members

Apologies for absence were received from Councillor Sean MacLeod and the Council's Chief Finance Officer, Homira Javadi.

49 Declarations of interest

There were none.

50 Urgent items

There were none.

51 Written questions from councillors

There were none.

52 External Audit Updates 2018/19 and 2019/20

The Committee received a verbal update from the Deputy Chief Finance Officer (DCFO) and the Council's External Auditors, Deloitte, in respect of the External Audit of the 2018/19 and 2019/20 Statement of Accounts.

The DCFO welcomed representatives from Deloitte, Mr Sheriff and Mr Ramkhelowon, via Microsoft Teams.

The DCFO reminded the Committee that the report it considered at its meeting on 27 September 2021 in respect of the External Audit of the 2018/19 Statement of Accounts and ISA260 only provided approximately half of the items being reviewed and if any further update was required, the Council's External Auditors would provide an update to the Committee. The DCFO explained that in addition to the update in respect of the External Audit of the 2018/19 Statement of Accounts, an update on the 2019/20 Statement of Accounts would also be provided by Deloitte.

Mr Sheriff explained that during the previous update provided to the Committee, open queries remained in respect of questions relating to valuation with Officers and the External Valuer. He further explained that the External Valuer had agreed some of the numbers were not fully supported and that there would be an adjustment, and he confirmed that all other open queries had been resolved satisfactorily.

Mr Sheriff confirmed that Deloitte was in the process of signing off the accounts as it was in the process of closing out procedures and questions relating to the External Audit of the 2018/19 Statement of Accounts.

Mr Sheriff highlighted that Deloitte was in the beginning stages of the External Audit of the 2019/20 Statement of Accounts and that it had adequate staffing numbers allocated for the remainder of 2022 to catch up on outstanding audits for Lewes District Council and other neighbouring authorities.

The Chair, on behalf of the Committee, expressed dissatisfaction with regard to recent updates from Deloitte relating to the External Audits of the 2018/19 and 2019/20 Statement of Accounts.

The Committee requested anticipated dates of completion for the External Audits for the 2018/19 and 2019/20 Statement of Accounts. Mr Sheriff explained that Deloitte had anticipated signing off the 2018/19 Statement of Accounts by the end of March 2022. With respect to the 2019/20 Statement of Accounts, it depended on what issues arose over the coming weeks, but that the 2019/20 Statement of Accounts were anticipated to be signed off between June to August 2022.

Discussions included the pace of completion for the External Audit of the 2019/20 Statement of Accounts, procurement and the scale of fees set by the PSAA (Public Sector Audit Appointments), and the anticipated figures for variation of fees in respect of the External Audits of the 2018/19 and 2019/20 Statement of Accounts.

Mr Sheriff highlighted that Deloitte would report back to the Committee with the anticipated figures for variation of fees in respect of the External Audits of the 2018/19 and 2019/20 Statement of Accounts.

The Chair thanked Mr Sheriff and Mr Ramkhelowon for attending the meeting virtually via Microsoft Teams.

Resolved: That the verbal update be noted.

53 Treasury Management Report

Prior to the consideration of this item, the Committee adjourned for a short comfort break.

The Committee considered the report which provided details regarding the Treasury Management Activity for the period 1 November to 31 December 2021.

The Deputy Chief Finance Officer (DCFO) summarised the report and its findings, highlighting that the report was normally a quarterly report, but due to the timing of the committee meetings calendar, the update provided was for one month only. As a result, there had been no significant movement.

The Committee queried the schedule of capital expenditures. The DCFO explained that latest capital programme 2022/23 had been agreed by Cabinet, and that a report would be presented at a future meeting of the Committee. The DCFO further explained that in future reports going forward, section 6 would look at performance, but the latest capital programme schedule would also be included.

Resolved:

That it be noted that the Treasury Management activity for the period 1 November to 31 December 2021 has been in accordance with the approved Treasury Strategies.

54 Draft Internal Audit Plan for 2022/23

The Committee considered the report which proposed the Council's internal audit plan for 2022/23.

The CIA presented the report and its findings.

Discussions included clarifications in respect of the household support fund, work in respect of Covid-related schemes and audit of the Crisis Management/Emergency Plan.

The Vice-Chair highlighted concerns relating to the lack of a detailed business continuity plan in respect of the audit of the Crisis Management/Emergency Plan, as referenced in Appendix B. The CIA confirmed that Officers were working on a detailed business continuity plan.

The Vice-Chair further highlighted concerns in respect of outstanding audit points and increased cyber-security threats. He requested that these matters

be taken into account and included in future business continuity plans. The CIA confirmed that she would look into the matter.

Resolved: That the internal audit plan for 2022/23 be agreed.

55 Internal Audit and Counter Fraud Work Quarterly Report

The Committee received the report which provided a summary of the activities of Internal Audit and Counter Fraud for the three quarters of the financial year 2021-2022: 1 April to 31 December 2021.

The Chief Internal Auditor (CIA) summarised the report and its findings, clarifying that the figures shown in Appendix C in respect of the Right to Buy year totals should have read 252,800 instead of 253,200. The CIA apologised for the error.

The Vice-Chair welcomed the addition of Appendix B and queried whether there was a completion date for the individual points and recommendations. The CIA explained that 3, 6 or 12-month completion dates were given based on what Officers thought was reasonable, but that she followed up every three months regardless. The Vice-Chair further queried whether the indicated completion dates could be included on future reports. The CIA agreed.

The Committee queried whether any reports prior to 2020/21 had any remaining outstanding issues. The CIA confirmed that there were no outstanding issues.

The Committee thanked the CIA for all of her hard work.

Resolved: That the report be noted.

56 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 Chief Internal Auditor (CIA) presented the report and its findings, highlighting the February 2022 review of the SRR by CMT, and the resulting changes as set out in section 3 of the report and Appendix A.

The Committee discussed changing risks in respect of the Covid-19 pandemic, oil prices as they related to bin collection and non-payment of council tax.

Resolved: That the report be noted.

57 Date of next meeting

That it be noted that the next meeting of the Audit and Standards Committee

was scheduled to commence at 10:00am on Monday, 4 July 2022, at a location to be confirmed (TBC) in due course.

The meeting ended at 12:05pm.

Councillor Julian Peterson (Chair)

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Agenda Item 8

Report To:	Audit and Standards Committee
Date:	4 July 2022
Report Title:	Treasury Management Annual Report 2021/22
Report of:	Chief Finance Officer
Ward(s):	All
Purpose of report:	To present the Annual Treasury Management Report for 2021/22.
Officer Recommendations:	To recommend to Full Council (via Cabinet): (1) To agree the Annual Treasury Management report for 2021/22. (2) To approve the 2021/22 Prudential and Treasury Indicators included in the report.
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 2021/22. 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 2021/22, the Full Council received the annual Treasury Management Strategy Statement (TMSS), whilst Cabinet were presented with the 2021/22 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.

2 Treasury Management 2021/22

- 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 In addition, Treasury Management updates are included within the quarterly performance management reports, considered by both the Cabinet and the Policy and Performance Advisory Committee. The regulatory environment places a much greater responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members. This report will be considered by the Cabinet at its meeting on 7 July 2022 meeting.
- 2.4 This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all the above treasury management reports by the Audit & Standard Committee before they were reported to the full Council. Member training on treasury management issues was undertaken on 21 October 2021, which is to support Members' scrutiny role and further training is expected to take place in 2022-23.

This report summarises:

- Capital activity during the year;
 - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement (CFR));
 - Reporting of the required prudential and treasury indicators and changes to be approved;
 - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
 - Summary of interest rate movements in the year;
 - Debt activity and investment activity.
 - Economic and Interest Rates
- 2.5 An economic commentary for the year provided by the Council's treasury management advisors is provided at Appendix E to this report. Bank Rate was 0.1% at the beginning of the year and despite the economy gathering momentum after pandemic restrictions eased, market expectation was for rises to be delayed until 2022. Rising, persistent inflation changed that with Bank Rate rising to 0.75% at the end of the year.
 - 2.6 During 2021 CIPFA published 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.

- 2.7 In addition, HM Treasury issued, in May 2022, updated guidance on PWLB lending to authorities where there is more than a negligible risk of non-repayment. In the same month the Levelling Up and Regeneration Bill announced in the Queens Speech gives government more oversight of the Prudential Framework.
- 2.8 The main points of these new Codes, PWLB guidance and Levelling Up and Regeneration Bill are summarised at Appendix D.
- 2.11 On the debt portfolio, no new loans were taken, and external debt is around £51.673m. The MTFS 2021-22 capital programme includes a funding requirement of £95.2m 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.
- 2.10 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.

3 Treasury Management Activity

- 3.1 The timetable for reporting Treasury Management activity in 2021 and 2022 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
27 September 2021	1 April to 31 July 2021
15 November 2021	1 August to 31 October 2021
14 March 2022	1 November to 31 December 2021
4 July 2022	2021/22 Annual Report (up to 31 March 2022)

4. Overall Summary of Activity 2021/22

- 4.1 The table below lists the key elements of the 2021/22 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	£95.249 million	£96.005 million	-
External Debt	£62.793 million	£51.673 million	-

Key Element	Target in Strategy	Actual Performance	
Under borrowing at year end	£32.456 million	£43.381 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	£1.71 million	£1.71 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	£0.100 million	£0.021 million	✓
Appointment of Investment Consultants			
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 2021	✓

5. Detailed Analysis – Borrowing

- 5.1 During 2021/22, 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.
- 5.2 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.
- 5.3 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.

- 5.4 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.
- 5.5 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.
- 5.6 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.
- 5.7 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 2021/22, the revised position reported at the time of producing the Treasury Strategy 2022/23 (February 2022) 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.

	2021/22 Original	2021/22 Revised	2021/22 Outturn
	£m	£m	£m
Opening CFR	88.387	89.268	89.268
Capital expenditure in year (Appendix C)	50.917	27.219	14.229
Less financed	(19.188)	(20.902)	(7.158)
Less amount set aside for debt repayment	(0.376)	(0.336)	(0.334)
Closing CFR	119.740	95.249	96.005

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

	2021/22 Revised	2021/22 Outturn
CFR Component	£m	£m
General Fund	23.699	20.096

Housing Revenue Account	71.550	75.909
Total	95.249	96.005

5.9 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).

5.10 The Council's long-term loan portfolio at 31 March 2022 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	Fixed	4.000	3.01	01-03-2027
	Sub-total	46.673		
Barclays	Fixed	5.000	4.50	06-04-2054
	Sub-total	5.000		
	Total	51.673		

5.11 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.

5.12 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%.

5.13 Total interest paid on external long-term borrowing in the year was £1.71m, 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.

5.14 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.

5.15 As determined by the Council, two separate Loans Pools operated in 2021/22, for the General Fund and HRA, respectively. At 31 March 2022 the balance

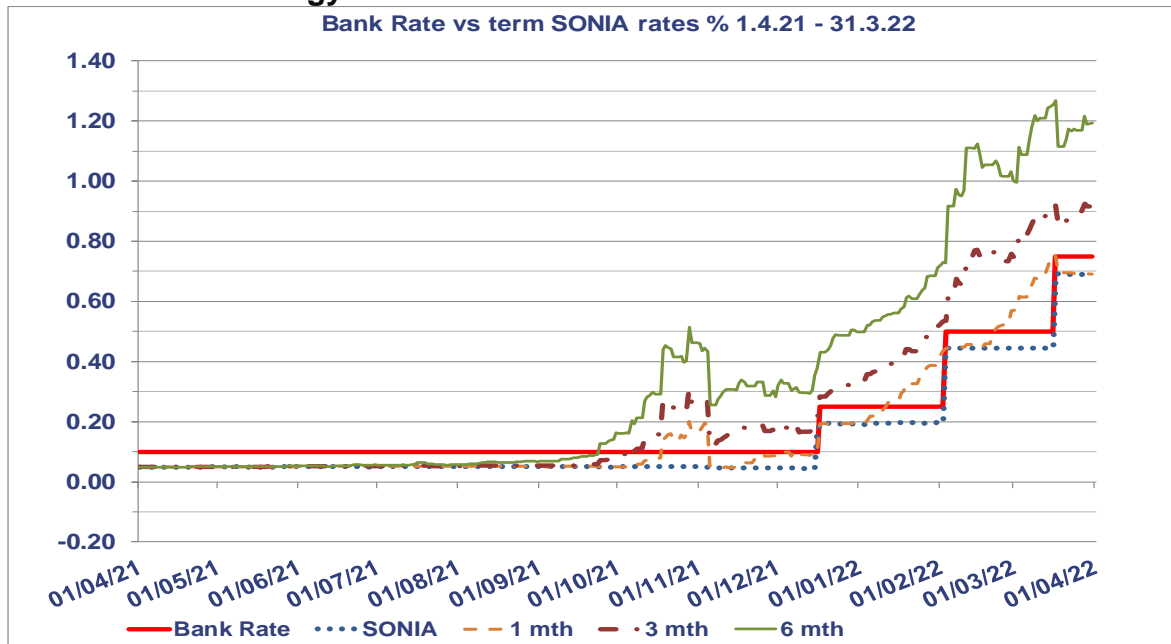
on internal loans from the General Fund to the Housing Revenue Account (HRA) was £19.236m, an increase of £4.360m compared with the previous year, which comprised new lending as funding for the construction of new homes. Interest was charged on internal borrowing at 0.99% (equivalent to a one-year maturity loan from the PWLB at the start of the financial year).

5.16 No temporary borrowing was undertaken during the course of the financial year and consequently, there were no temporary loans outstanding at 31 March 2021.

6.0 Detailed Analysis - Investments

6.1 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.

Investment strategy and control of interest rate risk



	Bank Rate	SONIA	1 mth	3 mth	6 mth
High	0.75	0.69	0.75	0.93	1.27
High Date	17/03/2022	18/03/2022	16/03/2022	28/03/2022	17/03/2022
Low	0.10	0.05	0.05	0.05	0.05
Low Date	01/04/2021	15/12/2021	10/11/2021	14/04/2021	09/04/2021
Average	0.19	0.14	0.17	0.24	0.34
Spread	0.65	0.65	0.71	0.88	1.22

6.2 Investment returns remained close to zero for much of 2021/22. Most local authority lending managed to avoid negative rates and one feature of the year was the continued growth of inter local authority lending. The expectation for interest rates within the treasury management strategy for 2021/22 was that Bank Rate would remain at 0.1% until it was clear to the Bank of England that the emergency level of rates introduced at the start of the Covid-19 pandemic were no longer necessitated.

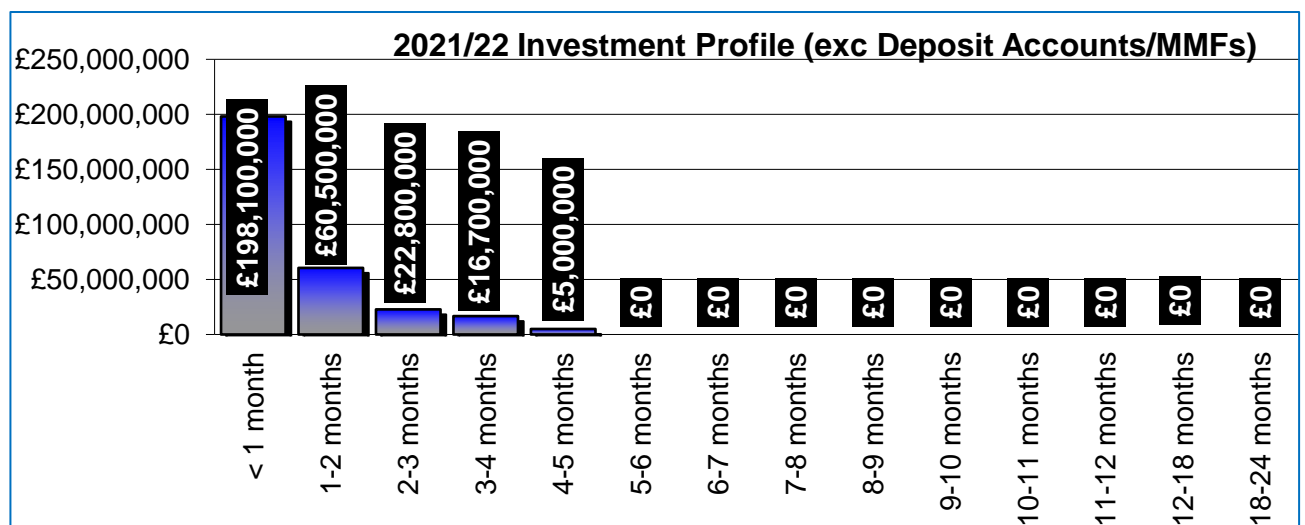
- 6.3 The Bank of England and the Government also maintained various monetary and fiscal measures, supplying the banking system and the economy with massive amounts of cheap credit so that banks could help cash-starved businesses to survive the various lockdowns/negative impact on their cashflow. The 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 remained low until towards the turn of the year when inflation concerns indicated central banks, not just the Bank of England, would need to lift interest rates to combat the second-round effects of growing levels of inflation (CPI was 6.2% in February).
- 6.4 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.
- 6.5 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.
- 6.6 The Council held an average of £31.99m as cash during the year. This comprised working cash balances, capital receipts, earmarked reserves and developer contributions held pending their use.
- 6.7 The Council's general policy objective is to invest its surplus funds prudently. Throughout 2021/22, 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.
- 6.8 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 2021/22. Investments made during the year included:
- Fixed Term Deposits with the Debt Management Office (DMO) (a total of £258.1 million – 44 occasions);
 - Fixed Term Deposits with other Local Authorities (a total of £20 million – 4 occasions);
 - Fixed Term Deposits with UK Banks and Building Societies (a total of £10

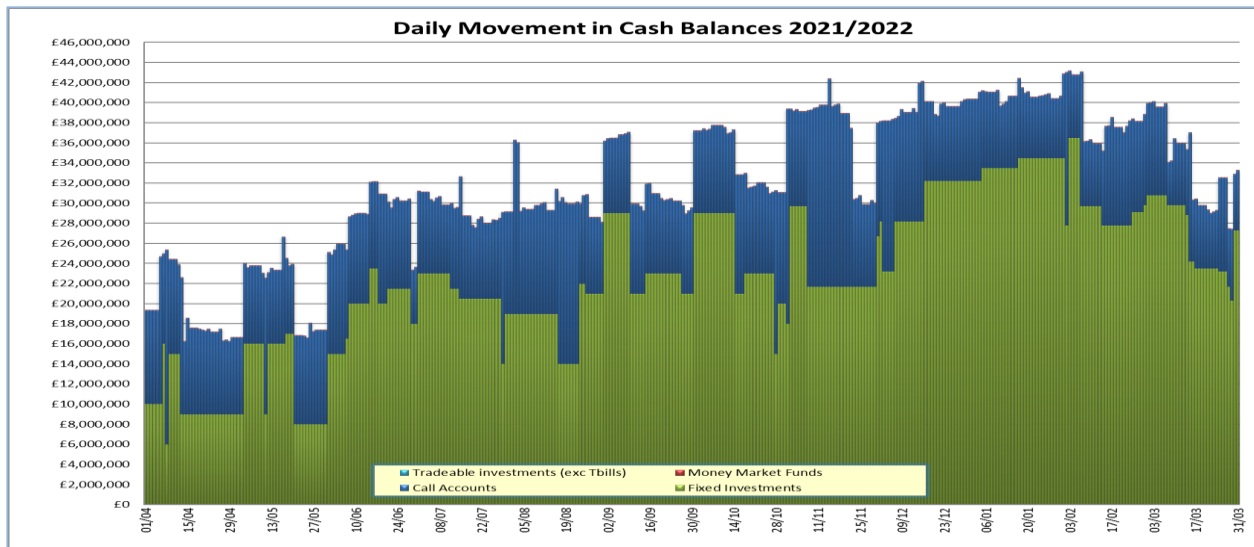
million – 2 occasions);

- Fixed Term Deposit with overseas Banks and Building Societies (a total of £15 million – 3 occasions)
- Investments in Money Market Funds (MMFs) (average daily balance held in year £0.001 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 £7.29 million);
- Deposit accounts with UK Building Societies (none);
- Overnight deposits with the Council’s banker, Lloyds Bank (average daily balance held in year £1.9 million).

6.9 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 £0.001 million.

6.10 A full list of investments (excluding deposit account or MMF transactions) made or maturing in the year is given at Appendix B. 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 £16.21m to a high of £43.16m. The movement largely reflects the cycle of grant, council tax and business rate receipts and precept payments made.





6.11 The income return generated from investments in the year was £0.021 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.

6.12 The average rate of return from investments at the end of each quarter in 2021/22 is shown in the table below, along with comparative benchmark information, SONIA rate.

Average rate of investments in:	Lewes District Council	SONIA
Quarter 1 ending 30 June 2021	0.01%	0.047%
Quarter 2 ending 30 September 2021	0.00%	0.048%
Quarter 3 ending 31 December 2021	0.02%	0.08%
Quarter 4 ending 31 March 2022	0.27%	0.19%
Whole year 2021/22	0.14%	0.14%

7. Compliance with Prudential Indicators

7.1 The Council can confirm that it has complied with its Prudential Indicators for 2021/22. A detailed review of each of the Prudential Indicators is at Appendix A.

8. Investment Consultants

8.1 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.

9. Reporting and Training

- 9.1 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 2021/22. A mid-term summary report was issued in November 2021.
- 9.2 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 2021/22. In 2021/22, 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.

10 Other

- 10.1 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.
- 10.2 **IFRS 16:** The implementation of the new IFRS 16 Leases accounting standard was due to come into force for local authorities from 1st April 2022. Following a consultation CIPFA/LASAAC announced an optional two-year delay to the implementation of this standard a decision which was confirmed by the Financial Reporting Advisory Board in early April 2022. Authorities can now choose to adopt the new standard on 1st April 2022, 1st April 2023 or 1st April 2024. The Chief Finance Officer intends for the Council to adopt the new standard on 1st April 2024, if resources permit adoption from April 2023 will be considered

11. Non-treasury investments

- 11.1 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.
- 11.2 **Lewes Housing Investment Company Limited**
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 2022, a total of £2,065 working capital has been drawn down. The balance has been rolled forward into 2022/23. There have been no transactions during the period 1 April 2022 to 30 June 2022.
- 11.3 **Aspiration Homes LLP**

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

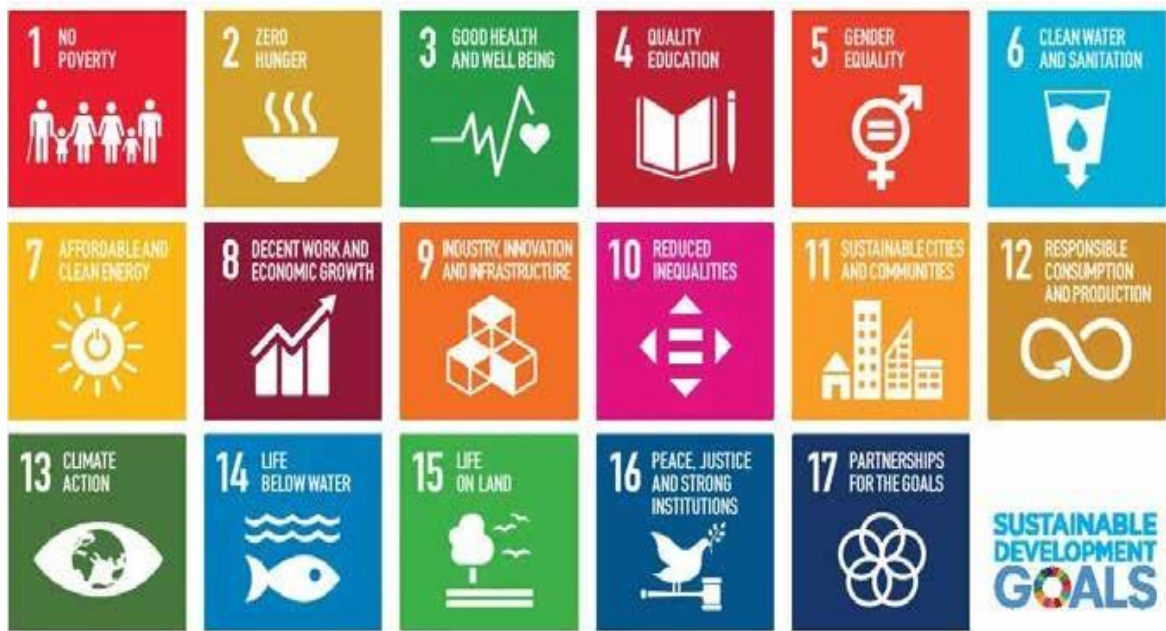
capital allocation of £17.5m was approved as potential commercial loan funding to AH to facilitate property purchases. At 31 March 2022, a total of £3,043,855 has been drawn down for the purchase of Gray's School, Newhaven, and Caburn Field, Ringmer. The balance has been rolled forward into 2022/23.

A working Capital facility loan of £100,000 has been agreed, at an interest rate of 2% above Base Rate. As at 31 March 2022, £20,000 of the working Capital facility loan had been drawn down. There have been no transactions during the period 1 April 2022 to 30 June 2022.

12. 2021/22 Environmental, Social and Governance (ESG) – updates.

- 12.1 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. 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).
- 12.2 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 DLUHC Investment Guidance to prioritise security, liquidity before yield in that order of importance.
- 12.3 The Council now uses the **Standard Chartered Bank Sustainable Time Deposit**, which function just like a normal Time Deposit. The difference is in the sustainable impact where the deposits are referenced against qualifying sustainable loans and projects of Standard Chartered that meet their Green and Sustainable Product Framework. These loan and project assets include green financing, sustainable infrastructure projects, microfinance and access to finance for SME business banking. It addresses the long-term environmental challenges such as climate change, health and financial inclusion plus being dedicated towards financing sustainable loans and projects aligned to the United Nation's Sustainable Development Goals.

12.4 Sustainable Development Goals



13 Corporate plan and council policies

13.1 The priority themes were considered as part of the overall Capital Programme which forms part of the Treasury Management Strategy.

14 Financial appraisals

14.1 Financial appraisals were considered as part of the overall Capital Programme which forms part of the Treasury Management Strategy.

15 Legal implications

15.1 Comment from the Legal Services Team is not necessary for this routine monitoring report.

16 Risk management implications

16.1 Risks relating to the timing of borrowing and terms of borrowing are considered and advice is provided by Link. Risk management is considered for each of the schemes within the Capital Programme.

17 Equality analysis

17.1 Equality issues are considered

18 Appendices

- 18.1 Appendix A - Prudential Indicators 2021/22
- 18.2 Appendix B - List of Investments made and/or maturing in 2021/22
- 18.3 Appendix C - 2021/22 Capital Programme Summary
- 18.4 Appendix D - Revised CIPFA Codes, Updated PWLB Lending Facility Guidance
- 18.5 Appendix E - The Economy and Interest Rates
- 18.6 Appendix F - Glossary - Local Authority Treasury Management Terms

19 Background papers

- 19.1 The Background Papers used in compiling this report were as follows:
 - CIPFA Treasury Management in the Public Services code of Practice (the Code)
 - Cross-sectorial Guidance Notes
 - CIPFA Prudential Code
 - Treasury Management Strategy and Treasury Management Practices.
 - Link Asset Services Citywatch and interest rate forecasts

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Appendix A - Prudential Indicators 2021/22

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 2021/22, 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 2022/23.

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	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
1a	General Fund	27.086	11.062	8.576
1b	HRA	23.381	16.157	5.653
	Total	50.917	27.219	14.229

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	2021/22 Original %	2021/22 Revised %	2021/22 Actual %
2a	General Fund	5.90	1.97	0.12
2b	HRA	10.80	11.09	12.39

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	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
3a	Non-HRA	52.393	23.699	20.096
3b	HRA	67.347	71.550	75.909
	Total CFR	119.740	95.249	96.005

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

Capital Financing Requirement	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
Balance B/F	88.387	89.268	89.268
Capital expenditure financed from borrowing	31.729	6.137	7.071
Revenue provision for Debt Redemption.	(0.376)	(0.336)	(0.334)
Balance C/F	119.740	95.429	96.005

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 31/03/22	Revised £m	Actual £m
4a	Borrowing	62.793	51.673
4b	Other Long-term Liabilities	0.000	0.000
4c	Total	62.793	51.673

7. Authorised Limit and Operational Boundary for External Debt

7.1 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.

- 7.2 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.
- 7.3 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.
- 7.4 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 2021/22 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	2021/22 Original £m	2021/22 Actual £m
5a	Borrowing	143.204	126.774
5b	Other Long-term Liabilities	0.600	0.300
5c	Total	143.804	127.104

- 7.5 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.
- 7.6 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 2021/22 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	2021/22 Original £m	2021/22 Actual £m
6a	Borrowing	130.190	115.249
6b	Other Long-term Liabilities	0.500	0.300
6c	Total	130.690	115.549

8. 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
7	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. Further revisions to the code were made in 2017 and 2021, which have been adopted by the Council.

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

- 9.1 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.
- 9.2 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.		2021/22 Original %	2021/22 Revised %	2021/22 Actual %
8	Upper Limit for Fixed Interest Rate Exposure	100	100	100
9	Upper Limit for Variable Interest Rate Exposure	20	20	20

- 9.3 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.
- 9.4 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.

10. Maturity Structure of Fixed Rate borrowing

- 10.1 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.
- 10.2 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 %
10a	under 12 months	0	25	0

10b	12 months and within 2 years	0	40	16
10c	2 years and within 5 years	0	50	19
10d	5 years and within 10 years	0	75	23
10e	10 years and above	0	100	42

11. 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 2021/22.

No.	Upper Limit for total principal sums invested over 364 days	2021/22 Original £m	2021/22 Revised £m	2021/22 Actual £m
11	Upper limit	2	2	2

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Appendix B

List of Investments made and/or maturing in 2021/22

Counterparty	Principal £	From / To		Interest/Return £
Surrey County Council	5,000,000	08/03/2021	08/04/2021	212.33
DMO	5,000,000	01/04/2021	08/04/2021	9.59
DMO	6,000,000	07/04/2021	13/04/2021	9.86
DMO	9,000,000	09/04/2021	30/04/2021	51.78
DMO	9,000,000	30/04/2021	21/05/2021	51.78
DMO	7,000,000	04/05/2021	11/05/2021	13.42
DMO	7,000,000	12/05/2021	18/05/2021	11.51
DMO	8,000,000	18/05/2021	01/06/2021	30.68
DMO	15,000,000	01/06/2021	07/06/2021	49.32
Warrington BC	5,000,000	07/06/2021	17/08/2021	194.52
DMO	11,500,000	07/06/2021	28/06/2021	132.33
DMO	3,500,000	08/06/2021	29/06/2021	40.27
DMO	3,500,000	15/06/2021	18/06/2021	5.75
DMO	1,500,000	21/06/2021	12/07/2021	17.26
Royal Borough of Windsor and Maidenhead	5,000,000	30/07/2021	29/10/2021	373.97
DMO	11,500,000	28/06/2021	29/07/2021	97.67
DMO	5,000,000	01/07/2021	08/07/2021	9.59
DMO	5,000,000	08/07/2021	15/07/2021	9.59
DMO	4,000,000	15/07/2021	29/07/2021	15.34
DMO	9,000,000	29/07/2021	26/08/2021	69.04
DMO	8,000,000	24/08/2021	10/09/2021	37.26
DMO	8,000,000	26/08/2021	09/09/2021	30.68
DMO	8,000,000	01/09/2021	15/10/2021	96.44
DMO	8,000,000	09/09/2021	28/09/2021	41.64
DMO	2,000,000	15/09/2021	27/09/2021	6.58
DMO	8,000,000	28/09/2021	28/10/2021	65.75
DMO	8,000,000	01/10/2021	25/10/2021	52.6
Royal Borough of Windsor and	5,000,000	29/10/2021	28/02/2022	501.37

Counterparty	Principal £	From / To		Interest/Return £
Maidenhead		1		
DMO	2,000,000	18/10/2021 1	01/11/2021	7.67
DMO	8,000,000	25/10/2021 1	08/11/2021	30.68
DMO	5,000,000	29/10/2021 1	03/12/2021	95.89
DMO	11,700,000	02/11/2021 1	02/02/2022	1,474.52
Standard Chartered (Link)	5,000,000	01/12/2021 1	01/03/2022	1,356.16
DMO	1,500,000	02/12/2021 1	02/03/2022	73.97
Bayerische Landesbank (Link)	5,000,000	07/12/2021 1	07/03/2022	986.3
DMO	4,000,000	17/12/2021 1	17/01/2022	169.86
DMO	1,300,000	05/01/2022 2	05/04/2022	320.55
DMO	5,000,000	17/01/2022 2	17/03/2022	889.04
DMO	5,000,000	02/02/2022 2	04/04/2022	2,089.04
DMO	8,700,000	03/02/2022 2	07/02/2022	181.15
DMO	1,900,000	07/02/2022 2	14/02/2022	109.32
DMO	1,300,000	24/02/2022 2	28/02/2022	42.74
DMO	7,000,000	28/02/2022 2	14/03/2022	805.48
Standard Chartered Sustainable (Link)	5,000,000	01/03/2022 2	29/04/2022	5,172.6
DMO	1,000,000	01/03/2022 2	08/03/2022	57.53
DMO	1,500,000	02/03/2022 2	28/03/2022	400.68
Bayerische Landesbank (Link)	5,000,000	07/03/2022 2	14/03/2022	354.79
DMO	6,000,000	14/03/2022 2	15/03/2022	49.32
Bayerische Landesbank (Link)	5,000,000	14/03/2022 2	14/04/2022	2,547.95
DMO	1,400,000	15/03/2022 2	29/03/2022	279.23
DMO	4,300,000	17/03/2022 2	25/03/2022	518.36
DMO	4,000,000	25/03/2022 2	25/04/2022	1868.49
DMO	7,000,000	30/03/2022 2	01/04/2022	210.96

Appendix C

2021/22 Capital Programme Summary	Original Programme	Variations	Revised Programme	Actual Expenditure	Programme Underspend
	£	£	£	£	£
HRA Housing					
New Dwelling Construction (Note 1)	18,812,000	12,869,000	5,943,000	2,104,959	(3,838,040)
Improvements to Stock	4,554,000	-	4,554,000	3,303,999	(1,250,001)
Disabled Adaptations	415,000	-	415,000	243,372	(171,628)
Sustainability Initiatives Pilot	-	(100,000)	100,000	-	(100,000)
Recreation and Play Areas (Note 2)	50,000	-	50,000	1,485	(48,515)
Total HRA Capital Programme	23,831,000	12,769,000	11,062,000	5,653,815	(5,408,185)
General Fund Housing					
Mandatory Disabled Facilities Grants	1,001,000	351,000	650,000	596,080	(53,920)
Private Sector Housing Support	135,000	-	135,000	16,682	(118,318)
Housing Investment Companies					
Aspiration Homes Loan Facility (Note 3)	2,550,000	-	2,550,000	2,130,945	(419,055)
Lewes Housing Investment Company Loan Facility (Note 4)	-	-	-	1,000	1,000
Total General Fund Housing Capital programme	3,686,000	351,000	3,335,000	2,744,707	(590,294)
General Fund Non-Housing Capital Programme					
Transformation Programmes					
Reset and Recovery (Note 5)	555,000	(118,461)	673,461	51,725	(621,736)
Regeneration					
Asset Development Newhaven	1,000,000	350,000	650,000	(2,932)	(652,932)
Avis Way Depot Construction, Newhaven	2,327,000	2,109,200	217,800	185,120	(32,680)
Caburn House, Lewes Refurbishment	270,000	170,000	100,000	9,624	(90,376)
Commercial Property Acquisition & Development	1,500,000	1,500,000	-	-	-
North Street Quarter, Lewes	3,800,000	3,800,000	-	71,614	71,614
Newhaven Square Co-Op - Demolition	500,000	500,000	-	-	-
Town Centre & Public Realm Improvements	250,000	250,000	-	-	-
Newhaven High Street (Newhaven Re-imagining)	4,000,000	299,690	3,700,310	536,604	(3,163,706)
The Sidings, Railway Quay, Newhaven	520,000	(328,554)	848,550	694,133	(154,417)
UTC Building, Newhaven	1,800,000	1,015,910	784,090	59,740	(724,350)
Newhaven Town Deal	-	(836,990)	836,990	529,039	(307,951)
Newhaven Levelling Up Fund	-	(818,000)	818,000	7,620	(810,380)
Service Delivery					
Recycling Equipment	-	(141,186)	141,186	141,186	(0)
MOT Test Equipment (Roller Brake Tester and Headlamp Aligner)	-	(43,960)	43,960	37,195	(6,765)
Vehicle & Plant Replacement Programme	227,000	144,105	82,895	-	(82,895)
Specialist					
Coast Protection Block Allocation (Note 6)	300,000	(94,280)	394,280	-	(394,280)
Coast Protection (South East Coastal Monitoring)	-	-	-	43,636	43,636
Flood Protection Measures	136,000	-	136,000	78,775	(57,225)
Parks and Pavilions (Note 7)	150,000	150,000	-	-	-
Cockshut Stream Diversion	-	(8,000)	8,000	7,990	(10)
Fort Road Recreation Ground, Newhaven	-	(2,500)	2,500	2,423	(77)
Southover Grange Capital Repairs, Lewes	-	(44,000)	44,000	-	(44,000)
Indoor Leisure Facilities (Note 8)	300,000	(81,000)	381,000	-	(381,000)
Denton Island Bowls Club, Newhaven	45,000	-	45,000	45,000	-
Downs Leisure Centre, Seaford	185,000	116,200	68,800	38,478	(30,322)
Lewes Leisure Centre	135,000	135,000	-	-	-
Peacehaven Leisure Centre	30,000	30,000	-	-	-
Seahaven Swim and Fitness, Newhaven	400,000	350,000	50,000	-	(50,000)
Asset Management (Note 9)					
Asset Management Block Allocation	400,000	400,000	-	-	-
Car Parks	-	(50,000)	50,000	42,568	(7,432)
Flint Walls Repairs	30,000	-	30,000	28,061	(1,939)
Lewes Creative Hub	-	(127,960)	127,960	127,963	3
Newhaven Enterprise Centre	-	(9,500)	9,500	-	(9,500)
Newhaven Fort Bridge	-	(176,550)	176,550	180,781	4,231
Newhaven Fort Refurbishment	50,000	(162,410)	212,410	2,420	(209,990)
Peacehaven Cliff Tops	-	(44,990)	44,990	2,590	(42,401)
Public Conveniences Refurbishment	100,000	-	100,000	850	(99,150)
Robinson Road Depot, Newhaven	-	(50,000)	50,000	-	(50,000)
Seaford Cemetery Memorial Wall	-	(11,770)	11,770	-	(11,770)
Stanley Turner Recreation Ground, Lewes	-	(5,980)	5,980	-	(5,980)
The Maltings, Lewes	-	(19,000)	19,000	-	(19,000)
Local Energy Schemes	3,000,000	3,000,000	-	-	-
OVESCO- Ouse Valley Solar Farm	-	(155,000)	155,000	93,000	(62,000)
Community Infrastructure Levy (Note 10)	889,600	(374,152)	1,263,752	2,770,087	1,506,335
Open Spaces/Biodiversity	300,000	300,000	-	-	-
Green Burial Site	-	(20,000)	20,000	-	(20,000)
Stanley Turner Stream Realignment	-	(40,000)	40,000	-	(40,000)
Information Technology (Note 11)	150,000	(148,426)	298,426	44,811	(253,615)
Finance Transformation (Note 12)	50,000	(129,310)	179,310	-	(179,310)
Total General Fund Non-Housing Capital Programme	23,399,600	10,578,126	12,821,470	5,830,100	(6,991,370)
TOTAL CAPITAL PROGRAMME REQUIREMENT	50,916,600	23,698,126	27,218,470	14,228,621	(12,989,848)

FUNDING AVAILABILITY					
Borrowing	14,810,000	(14,810,000)	-	4,359,870	4,359,870
Capital Receipts	1,601,000	427,000	2,028,000	(1,983,989)	(4,011,989)
Major Repairs Reserve	6,428,000	1,656,000	8,084,000	3,277,934	(4,806,066)
Capital Grants & Contributions		950,000	950,000	0	(950,000)
Revenue Contributions	992,000	(992,000)	-	-	-
Total HRA Funding	23,831,000	(12,769,000)	11,062,000.0	5,653,815	(5,408,185)
CAPITAL PROGRAMME FUNDING					
Borrowing	18,012,000	(11,694,770)	6,317,230	2,710,535	(3,606,695)
Capital Receipts		-	-	(35,975)	(35,975)
Reserves	563,000	(147,690)	415,310	455,857	40,547
Capital Grants & Contributions	8,510,600	913,330	9,423,930	5,350,097	(4,073,833)
Capital Expenditure Financed from Revenue (General Fund)	-	-	-	78,775	78,775
Capital Expenditure Financed from Revenue (Housing Revenue Account)	-	-	-	15,517	15,517
Total General Fund Funding	27,085,600	(10,929,130.0)	16,156,470.0	8,574,806	(7,581,664)
Total Funding	50,916,600	(23,698,130.0)	27,218,470	14,228,621	(12,989,849)

Notes on continuing capital project budgets which have been carried forward to 2021/22:

Construction and acquisition of dwellings to deliver new social housing
Recreation ground and play area projects within the Housing Revenue Account
Aspiration Homes LLP drawdowns to facilitate delivery of new social housing
Housing Investment Company Ltd drawdowns to facilitate delivery new social housing
Reset and Recovery transform the delivery of services following COVID-19
A continuing programme of Coast Protection studies and major works
Provision, Refurbishment and improvement to Parks and Pavilions
Refurbishments and improvements to Indoor Leisure Facilities
Major works and refurbishments to Council buildings
Town, Parish and County Council Community Infrastructure Levy allocations
Replacement IT hardware
Financial Services transformation

Appendix D

Revised CIPFA Codes, Updated PWLB Lending Facility Guidance

In August 2021 HM Treasury significantly revised guidance for the PWLB lending facility with more detail and 12 examples of permitted and prohibited use of PWLB loans. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.

CIPFA published its revised Prudential Code for Capital Finance and Treasury Management Code on 20th December 2021. The key changes in the two codes are around permitted reasons to borrow, knowledge and skills, and the management of non-treasury investments.

The principles of the Prudential Code took immediate effect although local authorities could defer introducing the revised reporting requirements and Lewes District Council will implement the new Code fully commencing from the 2023/24 financial year. To comply with the Prudential Code, authorities must not borrow to invest primarily for financial return. This Code also states that it is not prudent for local authorities to make investment or spending decision that will increase the CFR unless directly and primarily related to the functions of the authority. Existing commercial investments are not required to be sold; however, authorities with existing commercial investments who expect to need to borrow should review the options for exiting these investments.

Borrowing is permitted for cashflow management, interest rate risk management, to refinance current borrowing and to adjust levels of internal borrowing. Borrowing to refinance capital expenditure primarily related to the delivery of a local authority's function but where a financial return is also expected is allowed, provided that financial return is not the primary reason for the expenditure. The changes align the CIPFA Prudential Code with the PWLB lending rules.

Unlike the Prudential Code, there is no mention of the date of initial application in the Treasury Management Code. The TM Code now includes extensive additional requirements for service and commercial investments, far beyond those in the 2017 version.

The Council will follow the same process as the Prudential Code, i.e. delaying changes in reporting requirements to the 2023/24 strategy year.

Public Works Loan Board (PWLB) – updated guidance for applicants

On 12th May 2022 HM Treasury issued an update to PWLB lending guidance, addressing lending to authorities where there is more than a negligible risk of non-repayment. The update states that where HM Treasury considers that a local authority may be at risk of being unable to repay PWLB lending, it will engage with that local authority to establish the extent of the risk of non-repayment. **Loans will not generally be advanced where there is a more than negligible risk of non-repayment.**

HM Treasury will generally consider that where a local authority is actively and constructively engaged with Government on addressing financial risk, that local authority is sufficiently managing risk of non-repayment. This includes where a local authority is working with the government as part of ongoing financial support measures. In such cases, HM Treasury will work with the relevant department to assess any risks to the PWLB.

The Department for Levelling Up, Housing and Communities (DLUHC) has announced plans to bring forward measures to provide the government with appropriate powers to directly address excessive risk arising from local government investing and borrowing practices. Where DLUHC believes it to be probable that a local authority would fall within the scope of the powers, it will be engaging with them immediately to get a better understanding of their risk positions in advance of the powers coming into force and to reach agreement on any actions needed to address government concerns.

Levelling Up and Regeneration Bill

The Levelling Up and Regeneration Bill that was included in the Queen's Speech in May 2022 proposes to introduce new powers into the Local Government Act 2003 for capital finance risk management. The proposals would represent an increase in the Government's oversight of the Prudential Framework and its ability to intervene.

Under the proposals, the Secretary of State would be able to issue risk mitigating directions to an authority if a trigger event has occurred. A direction will be able to place borrowing limits on an authority or require it to take specified action, which could include disposing of an identified asset.

One such trigger event is if a risk threshold is breached. For the assessment of risk thresholds, there will be a range of capital risk metrics, whose basis of calculation will be specified, as will the thresholds against which breaches are to be measured. The metrics specified in the Bill are:

- the total debt (including credit arrangements) as compared to the financial resources of the authority
- the proportion of the total capital assets which are investments made, or held, wholly or mainly to generate financial return
- the proportion of the total debt (including credit arrangements) in relation to which the counterparty is not central government or a local authority
- the amount of minimum revenue provision charged to a revenue account for a financial year
- any other metric specified by regulations.

The Secretary of State will have the power to appoint an independent expert to review the level of an authority's financial risk. Authorities will be required to co-operate with the expert in any way that they consider necessary or expedient for the purposes of the conduct of the review, as far as this is practicable.

Appendix E

The Economy and Interest Rates by Link Treasury Services Limited

UK. Economy. Over the last two years, the coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings until raising it to 0.25% at its meeting on 16th December 2021, 0.50% at its meeting of 4th February 2022 and then to 0.75% in March 2022.

The UK economy has endured several false dawns through 2021/22, but with most of the economy now opened up and nearly back to business-as-usual, the GDP numbers have been robust (9% y/y Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% and is likely to exceed 8% in April.

Gilt yields fell towards the back end of 2021, but despite the war in Ukraine gilt yields have shot higher in early 2022. At 1.38%, 2-year yields remain close to their recent 11-year high and 10-year yields of 1.65% are close to their recent six-year high. These rises have been part of a global trend as central banks have suggested they will continue to raise interest rates to contain inflation.

Historically, a further rise in US Treasury yields will probably drag UK gilt yields higher. There is a strong correlation between the two factors. However, the squeeze on real household disposable incomes arising from the 54% leap in April utilities prices as well as rises in council tax, water prices and many phone contracts prices, are strong headwinds for any economy to deal with. In addition, from 1st April 2022, employees also pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

Average inflation targeting. This was the major change in 2020/21 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 2020 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 mantra now seems very dated. Inflation is the "genie" that has escaped the bottle, and a perfect storm of supply side shortages, labour shortages, commodity price inflation, the impact of Russia's invasion of Ukraine and subsequent Western sanctions all point to inflation being at elevated levels until well into 2023.

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GLOSSARY

Local Authority Treasury Management Terms

Terms	Descriptions
Bond	A certificate of long-term debt issued by a company, government, or other institution, which is tradable on financial markets
Borrowing	Usually refers to the stock of outstanding loans owed, and bonds issued.
CFR	Capital Financing Requirement. A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and MRP.
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
Collective investment scheme	Scheme in which multiple investors collectively hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
Covered bond	Bond issued by a financial institution that is secured on that institution's assets, usually residential mortgages, and is therefore lower risk than unsecured bonds.
CPI	Consumer Price Index - the measure of inflation targeted by the Monetary Policy Committee.
Deposit	A regulated placing of cash with a financial institution. Deposits are not tradable on financial markets.
Diversified income fund	A collective investment scheme that invests in a range of bonds, equity and property in order to minimise price risk, and also focuses on investments that pay income.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DMADF	Debt Management Account Deposit Facility – a facility offered by the DMO enabling councils to deposit cash at very low credit risk. Not available in Northern Ireland.
DLUHC	Department for Levelling Up, Housing and Communities (<i>formerly known as Ministry of Housing, Communities & Local Government - MHCLG</i>).
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.

Terms	Descriptions
Equity	An investment which usually confers ownership and voting rights
Floating rate note (FRN)	Bond where the interest rate changes at set intervals linked to a market variable, most commonly 3-month LIBOR or SONIA
FTSE	Financial Times stock exchange – a series of indices on the London Stock Exchange. The FTSE 100 is the index of the largest 100 companies on the exchange, the FTSE 250 is the next largest 250 and the FTSE 350 combines the two
GDP	Gross domestic product – the value of the national aggregate production of goods and services in the economy. Increasing GDP is known as economic growth.
Income Return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
GILT	Bond issued by the UK Government, taking its name from the gilt-edged paper they were originally printed on.
LIBID	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than LIBOR.
LIBOR	London interbank offer rate - the benchmark interest rate at which banks offer to lend cash to other banks. Published every London working day at 11am for various currencies and terms. Due to be phased out by 2022.
LOBO	Lender's Option Borrower's option
MMF	Money Market Funds. A collective investment scheme which invests in a range of short-term assets providing high credit quality and high liquidity. Usually refers to Constant Net Asset Value (CNAV) and Low Volatility Net Asset Value (LVNAV) funds with a Weighted Average Maturity (WAM) under 60 days which offer instant access, but the European Union definition extends to include cash plus funds
Pooled Fund	Scheme in which multiple investors hold units or shares. The investment assets in the fund are not held directly by each investor, but as part of a pool (hence these funds are also referred to as 'pooled funds').
PWLB	Public Works Loan Board – a statutory body operating within the Debt Management Office (DMO) that lends money from the National Loans Fund to councils and other prescribed bodies and collects the repayments. Not available in Northern Ireland.
Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
Short-dated	Usually means less than one year
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.

Report to:	Audit and Standards Committee
Date:	4 July 2022
Title:	Post Assurance Review of the First and Second Phase of Covid Business Grants
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To update the Committee on the progress of the work being carried out.
Officer recommendation(s):	To note the report.
Reasons for recommendations:	The Audit and Standards Committee provides independent assurance of the adequacy of the risk management framework and the associated control environment
Contact Officer(s):	Name: Lee Ewan Post title: Counter-Fraud Investigations Manager E-mail: lee.ewan@lewes-eastbourne.gov.uk Telephone number: 01323 415123

1.0 INTRODUCTION

- 1.1 The purpose of this report is to provide an update of the work undertaken to verify the coronavirus business support payments administered by Lewes District Council and to establish whether any payments were made in error or were fraudulent. This report is a revised version of the 'Post Assurance Review of the First Round of Covid Grants' reported to committee on 27th September 2021 to incorporate the Second Round of Covid Grants. The verification work takes into account the individual policy for each grant to establish eligibility alongside the Post Event Assurance Plan required by the Department for Business, Energy and Industrial Strategy:
- to assess the level of fraud and error in Covid-19 grant schemes, loans etc
 - to identify instances of fraud and/or error and take action to recover money
 - to make recommendations to improve systems and processes
- 1.2 The report covers different approaches taken to verify the eligibility of payments and highlight cases where additional investigation is required. The post assurance work has evolved as more data analysis tools become available (e.g. Ascendant fraud and error reports/National Fraud Initiative) and reflects the evolving nature of each of the nine different grant schemes released to date.
- 1.3 This report covers the first two waves of Business Support Grants made available to eligible businesses:
- Phase One April – September 2020
- Small Business Grant Fund

- Retail, Hospitality and Leisure Grant Fund

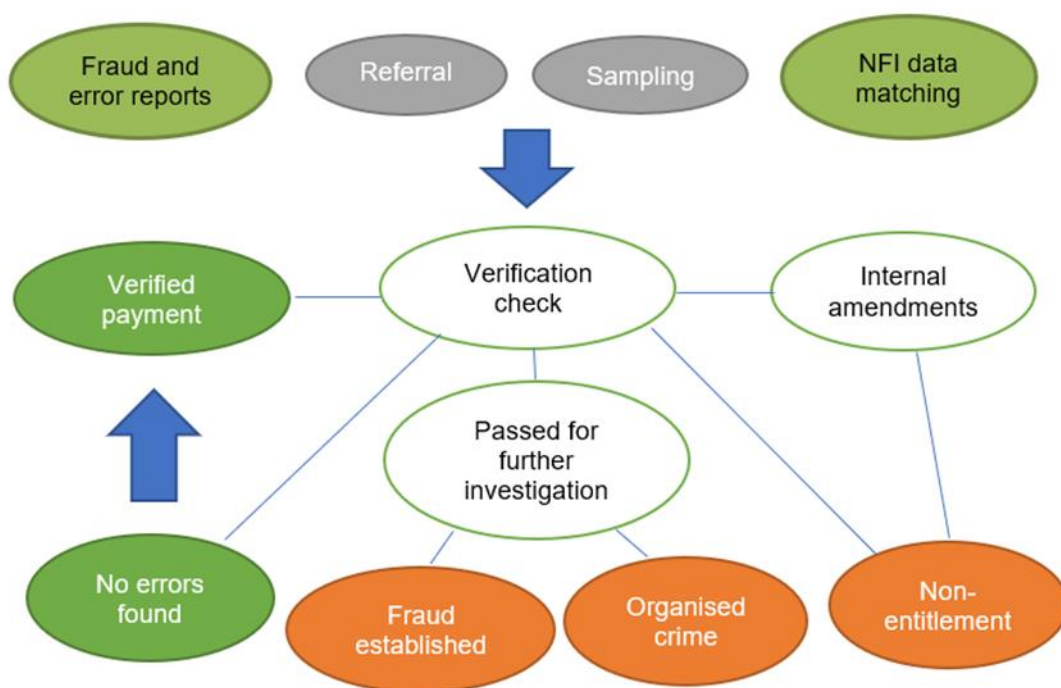
Phase Two from September 2020

- Additional Restrictions Grant
- Local Restrictions Support Grants
- Closed Business Lockdown Payment
- Christmas Support Payment
- Restart Grant

2.0 SCOPE

2.1 The Department for Business, Energy and Industrial Strategy - Post Event Assurance Plan includes different methods of highlighting fraud and error, which will be explained in further detail below. Each method includes source material which has been taken from the Covid-19 applications received by the council and matched against internal and external data. Additional enhanced checks are taken where a discrepancy has been found causing the application to be referred to an investigation officer.

The Post Event Assurance Plan Process



2.2 Timeline of Post Event Assurance

The table below provides a guide to the timeline of expected activities considering the availability of data and internal resources. The Department for Business, Energy and Industrial Strategy are also undertaking sample testing of the grants administered and post verification work undertaken.

Quarter	Fraud/Error investigations	Sample testing	Ascendant Fraud and Error report	National Fraud Initiative	BEIS grant audit verification
Apr - Jun 2020					
Jul – Sep 2020		Ascendant software			
Oct - Dec 2020					
Jan – Mar 2021				Phase One grants	
Apr – Jun 2021				Phase One grants	Phase One grants
Jul – Sep 2021		Phase One high risk			
Oct – Dec 2021					
Jan – Mar 2022					Phase Two grants
Apr – Jun 2022				Phase Two grants	Phase Two grants

3.0 METHODOLOGY

- 3.1 The Council has partnered with a private company, Ascendant Solutions, to verify grant applications. This work commenced with the government’s introduction of the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund. Applications are made via an online portal where data provided is matched against multiple sources of internal and external data. Each application is marked by either a green, amber, or red result – with green a low risk, moving up to red where discrepancies with data or multiple applications have been found, requiring manual verification. Each successful Small Business Grant Fund or Retail, Hospitality and Leisure Grant application has a value of either £10,000 - £25,000 depending on the eligible business criteria (as of 11 March 2020) and property rateable value – Phase Two grants vary in amounts depending on the scheme.
- 3.2 In addition to the review of Phase One and Two applications, the post assurance work will also review and highlight discrepancies with internal and external data held as part of the existing counter-fraud work. This may demonstrate incorrect business rates payers, incorrect receipt of rate relief (e.g. Small Business Rate Relief) and discrepancies found with internal awards of Housing Benefit, Council Tax Reduction, and licensing and environmental health certificates.
- 3.3 To commence this review, an initial test sample of 21 applications was randomly selected from each of the green, amber or red results following Ascendant Solutions’ verification process. Further targeted sampling would be based on the initial findings alongside known risk factors and previous examples where fraud and error have been found.
- 3.4 The information provided with each application included two forms of identity which were then compared against the following:

- **Open Source** – public information of the business’s presence online - this may highlight additional businesses in other areas, a change of business use, occupation or dissolved business prior to 11 March 2020.
- **Companies House** – verify information held on Companies House - this may highlight a dissolved limited business or business due to be struck off prior to 11 March 2020.
- **Director/Sole trader** – public information check to verify applicant exists and any associated links which may highlight duplicate business ownership.
- **Business Rates** – internal checks on documentation held in the council’s document management system and Open Revenues system – this will highlight any discrepancies held against the grant application and may show a change in the business in occupation.
- **Contact record** – internal checks on the council’s document management system – these checks may highlight discrepancies held by the council (for example a change in business rate payer or ownership of the premises).
- **Benefits** – internal checks on any active applications for Universal Credit, Housing Benefit, and Council Tax Reduction – this may highlight undeclared income from a business and false application for benefit.
- **Licensing and Environmental Health** – internal checks on the council’s document management and licensing system - this may highlight discrepancies with presentations made to the council for food safety, premises and alcohol licences against grant application data.

4.0 ASCENDANT SOFTWARE TESTING

4.1 The first stage of the review process was to conduct sample testing of the result data (green, amber, and red) produced by Ascendant and matched against manual verification checks to monitor for accuracy and quality. These checks would provide an indication as to whether assurance can be placed on the reports being produced by Ascendant.

4.2 Green

A total of 21 cases with a green result were randomly selected for this review. The 21 cases include nine limited companies and 12 sole traders. Of the grant applications, 18 claimed Small Business Grant and three Retail, Hospitality and Leisure Grant.

4.3 Outcome of green case review

All 21 applications were shown to be correctly matched against the internal and external records found. Where records were not found, such as open source checks, this can be attributed to the nature of the business or the individual trader. No discrepancies were found which warranted further investigation or highlighted that an error or fraud had occurred.

4.4 An issue was shown with two businesses trading under different names from what was held; however other information verified that the businesses remained eligible for grant assistance.

4.5 **Amber**

A total of 21 amber cases were randomly selected for this review. The 21 cases include seven limited companies and 14 sole traders. Of the grant applications, 15 claimed Small Business Grant and six Retail, Hospitality and Leisure Grant.

4.6 **Outcome of amber case review**

21 applications were shown to hold discrepancies or missing information when matched against the internal and external records found. Additional verification would therefore be necessary to reduce the risk of fraud. Where records were not found, such as open source checks, this can be attributed to the nature of the business or the individual trader.

4.7 Three cases (one limited company, two sole traders) required further investigation. One business was listed under Companies House as due to be struck off, one was found to have altered the business premises with a change of occupants and one shows the applicant vacated the premises with the grant recovered in full.

4.8 11 cases were found with inadequate identity documentation in support of their application, these consisted of old correspondence (from 2018/2019), poor quality of document causing difficulty in viewing, unofficial evidence or documentation which did not match what they had been uploaded against (e.g. credit card uploaded as lease agreement).

4.9 **Red**

A total of 21 red cases were randomly selected for this review. The 21 cases include 14 limited companies and seven sole traders. Of the grant applications, 16 claimed Small Business Grant and three Retail, Hospitality and Leisure Grant.

4.10 **Outcome of red case review**

21 applications were shown to hold discrepancies or missing information when matched against the internal and external records. Additional verification checks would therefore be necessary to reduce the risk of fraud. Where records were not found, such as open source checks, this can be attributed to the nature of the business or the individual trader.

4.11 Three cases (three sole traders) required further investigation prior to grant payment. One business was found to have received the incorrect grant (Small Business Grants instead of Retail, Hospitality and Leisure), one business showed a change of management and rate payer details, and one business was shown to have dissolved prior to March 2020 - this highlights concerns with the data held at the start April 2020.

4.12 10 cases were found with inadequate identity documentation in support of their application, these proofs consisted of old correspondence (from 2018/2019), poor quality of document causing difficulty in viewing, unofficial evidence or documentation which did not match what they had been uploaded against (e.g. credit card uploaded as lease agreement).

5.0 ASCENDANT SOFTWARE TESTING CONCLUSION

5.1 Of the initial 63 random applications reviewed, none of the applications verified by Ascendant with a green status showed irregularity and cause for further investigation. Of the amber and red cases, all showed discrepancies which were to be expected. Of the grants awarded, three amber and three red were found to require further investigation. The results of the sampling shows that the Ascendant system appears to be correctly allocating grant claims into the correct report status based on the information held by the council and therefore reasonable reliance can be placed on it.

6.0 POST ASSURANCE – PHASE ONE GRANTS

6.1 To begin the work the six cases requiring further investigation in the amber and red categories as noted in the review of the results from Ascendant above, were investigated. Five of these had claimed Small Business Grant, with five applications from sole traders. The one limited company was found to have made applications with discrepancies compared to information on Companies House records. No fraud was identified in five cases and these have now been closed resulting in an update to the liable rate payer following additional documentation to prove eligibility. One application was treated as fraudulent which has resulted in the recovery of a £10,000 Small Business Grants.

6.2 1803 applications for Small Business Grant and Retail, Hospitality and Leisure Grant were processed by Lewes District Council between April – September 2020. These applications were processed through Ascendant resulting in a green, amber or red result. The manual checking using the methodology detailed above resulted in similar outcomes with the green cases showing little or no concern, and with inconsistencies found with the amber and red cases requiring further verification. A decision was made to sample test applications with the highest degree of risk based on the Ascendant data analytics process in the red and amber categories. This consisted of 438 red cases and 653 amber applications.

6.3 Each amber and red application has been reviewed following the process detailed above or via internal or external referral. Of these, 36 applications were found to warrant review for fraud and error with 13 applications found to have been paid incorrectly. None of these cases, so far, have been found to be part of organised crime. Eight cases claimed the £10,000 Small Business Grant with five claiming a Retail, Hospitality and Leisure Grant with a total value of £190,000. Recovery of these incorrect payments are in process with an amount of £66,326 recovered to date. The percentage of fraud and error found so far is small (less than 1%) in comparison to the volume of grants administered, however additional localised and national checks are still being undertaken so no conclusion can be made at this time.

6.4 Of the cases found to be incorrectly paid, there is a mixture of reasons, for example businesses which ceased to be trading as of the 11 March 2020, or a business was subsequently found not to be eligible under the policy criteria for the scheme (i.e. not qualified for small business rate relief), or a dispute between parties following a change or transfer of the business in occupation.

6.5 The National Fraud Initiative ran a national data matching exercise for phase one grants in March 2021. All 1803 applications of Small Business Grant and

Retail, Hospitality and Leisure Grant were provided with 29 returned requiring further review. Of these cases, five (with a value of £50,000) had already been identified by internal checks and are accounted for in paragraph 6.3. In a separate exercise all bank accounts, into which grants had been paid, were provided to the National Fraud Initiative to verify the integrity the accounts through an Experian credit check.

- 6.6 As part of the Department for Business, Energy and Industrial Strategy's 'Post Payment Assurance Verification Process' a random sample of 15 Phase One applications, supporting documents and evidence of post payment checks were requested as part of this exercise. The documentation was provided to the Department for Business, Energy and Industrial Strategy in May 2021, no outcome response has been provided as of the completion date of this report.
- 6.7 National recovery guidance has now been provided by the Department for Business, Energy and Industrial Strategy for any grants awarded fraudulently, in error or non-compliance with the grant schemes. The council's internal debtor's team have been following these procedures and working with the grant recipients to arrange repayment. There are currently six Phase One Grant applications in the recovery process. An agreement with the Department for Business, Energy and Industrial Strategy is in place to transfer responsibility for grants which we have been unable to recover.
- 6.8 Full assurance and assessment of the fraud and error found in the grants paid out cannot be provided at this time as applications remain under investigation. It should also be noted that grant data is constantly being collected and analysed through post assurance work internally and nationally by the National Fraud Initiative, National Crime Agency, National Investigation Service, and other government agencies.

7.0 POST ASSURANCE – PHASE TWO GRANTS

- 7.1 The Phase Two grants, although similar in purpose, are also broader in scope than Phase One, with the introduction of grants specifically tailored to support the local and regional business industry and grants to help with post-Covid recovery. Businesses had to be either mandated to close, or impacted due to the local or national restrictions. The business needed to be operational and/or occupied on the prescribed date for the relevant scheme.
- 7.2 The variation in grants available to businesses is also reflected in the number of applications which coincided with each additional period of lockdown or restrictions due to the Covid-19 pandemic. Of the 4014 successful Phase Two applications, 3861 of these grants were paid to businesses who applied for two or more grants. With each subsequent application, further evidential documentation was required along with supplementary information of how the business is affected to meet eligibility criteria.
- 7.3 A review of Phase Two grants found that with the increasing number of multiple applications from businesses, a clearer picture of eligibility can be established. This has highlighted a potential risk with businesses who have only made one application, particularly the Phase One grants which has resulted in additional sampling.
- 7.4 A review of the Ascendant system was undertaken, this continues to be the administrative portal for applications and also where an assessment of grant

entitlement is made by the council. It was found that the system separated each grant applied for under its individual scheme and time frame. There was no evidence found of duplication. Ascendant also separates applications into red, amber and green in terms of the manual verification required. A high number of red cases had already been checked previously, during Phase One. It was found that some businesses with shared spaces, or without business premises, were given a red flag but that eligibility could be established on further investigation.

- 7.5 A review of bank accounts used for the 4014 applications found no duplication between businesses. Bank accounts used for payments were also verified against the evidence provided to match the business account held. All details obtained from successful grants in Phase Two have been provided to the National Fraud Initiative who are now due to undertake a national data matching exercise with the results expected in late Spring 2022 - this may highlight discrepancies when our data is compared to other local authorities and matched against records of organised criminals held by government agencies.
- 7.6 Unlike the Phase One grants, which required businesses to meet specific eligibility such as being in receipt of a Small Business Rate Relief or work in the Retail and Hospitality sectors, Phase two grants incorporate a larger spectrum of the business industry and Covid-19 restrictions. So, effectively, a business would be ineligible for one grant where the business was not mandated to close, but eligible for an alternative grant as this sector was covered within an separate grant scheme. 1636 Phase Two grant applications were declined and advised to apply for an alternative grant where appropriate.
- 7.7 Of the errors found, change of circumstances are the most common where a business has changed hands and the council is only made aware afterwards either through verification checks or by the new business occupier. Four Phase Two grants, with the combined value of £16,057, have been found to have been paid incorrectly and are currently going through the recovery process - this is out of £20,726,698 paid out in total for Phase 2 grants (about 0.08%).
- 7.8 It is expected that a random sample of cases for each Phase Two grant scheme will be selected by the Department for Business, Energy and Industrial Strategy for post verification auditing in the coming months. The council was requested to provided a sample of a 'Christmas Support Payment' application and supporting evidence in December 2021. This has been followed up with a request for evidence of applications for five separate grant schemes in April and May 2022.

8.0 CONCLUSIONS

- 8.1 In conducting a review of the fraud and errors found, it is necessary to first look at the Business Grant schemes as a whole - including the environment in which these grants were created during a national pandemic. It should be noted, that before Universal Credit was introduced a considerable amount of work was undertaken using a test and learn methodology with robust data of an individual and their circumstances to prevent fraud. In contrast, Coronavirus Business Grants were implemented in a matter of weeks with the data from local authority business ratepayer records used for a basis of eligibility. Business rate payer

records do not provide the same level of detail as they were formed for the basis of rates collection, not fraud prevention or grant administration.

- 8.2 Following the introduction of Small Business Grants and Retail, Hospitality and Leisure Grants, several businesses came forward presenting a change in business occupancy. This has resulted in a considerable amount of work to update records where businesses have changed hands or commenced trading. Several cases have also required individual assessments where disputes exist over grant eligibility. These challenges have taken place in periods of national restrictions where the majority of businesses were either closed or faced severe restrictions and with government expectation of a swift administration of grant payments. It is evident by the release of Phase Two grant schemes th these issues had largely been resolved resulting in a clearer picture of active businesses in operation in Lewes District.
- 8.3 The application process restricts one grant per eligible property. This limits the opportunity for duplicate grant fraud which has been an issue with other authorities. This has also helped encourage eligible businesses to come forward and support an investigation where a potential fraudulent application has been made. When factoring in incomplete or withdrawn applications, it can be shown that 1506 Phase One and Two applications were not completed. It is unclear of the reasons for these incomplete applications, but the checks and measures in place are likely to have reduced some fraudulent applications which would otherwise have claimed a grant.
- 8.4 Issues were found with out-of-date information held on the council's internal records for the actual business in occupation or trading name as of the 11 March 2020. This was a particular issue with businesses in receipt of Small Business Rate Relief and eligible to claim Small Business Grant, with a higher number found in the 'amber and red' categorisation. There is a potential therefore for fraudulent applications to be made by individuals or businesses representing themselves as the registered rate payer without appropriate prior notification to the council. There is also the potential for un-notified changes to the premises ending eligibility for purpose of grant entitlement. These anomalies are unlikely to be discovered through Ascendant verification or desktop investigations alone, there is therefore a risk cases remain undetected – this is a particular risk with Phase One grants.
- 8.5 Issues were found with supporting evidence provided for a selection of Phase One applications in each of the green, amber and red categories. There is therefore a risk an application may have been successful without adequate identification evidence. However, where subsequent grant applications have been applied for in Phase Two, additional supporting evidence has been provided and therefore a stronger case of eligibility has been established.

9.0 OBSERVATIONS

- 9.1 The initial roll out of Small Business Grants and Retail, Hospitality and Leisure Grants were introduced to support businesses at a unique and challenging time during the first national lockdown. The administration of the schemes also presented several challenges in providing financial support in a timely and efficient manner while also limiting the risk of fraud and error. If further preparation time was available, other measures may have been considered to

increase verification accuracy - such as a full review of businesses in occupation or detailed disclosure of business ownership within the district. As this was not possible at the time, further post verification checks are required on a localised and national level to establish the level of fraud and error.

- 9.2 With the introduction of subsequent national and localised coronavirus business support grants, further applications and documentational supporting evidence has been provided. This has allowed for a more up to date record of businesses operating in the district and improved the level of assurance when verifying grant applications. The highest level of discrepancies found related to undeclared changes with businesses applying for Small Business Grants and in receipt of Small Business Rate Relief, however the actual percentage of issues found is still small considering the volume of grant applications.
- 9.3 Supporting documentation evidence for Small Business Grant and Retail, Hospitality and Leisure Grant applications were found to vary in acceptable standards. This has been fed back to the grant administration team with improvement shown in the accepted documentation found in subsequent coronavirus grant applications. A higher level of verification can now be confirmed with the Phase Two scheme and those businesses which have claimed grants in both Phase One and Two.

10.0 NEXT STEPS

- 10.1 The Counter-Fraud team will undertake further sampling of coronavirus grant cases where only one application has been made. It is also expected that the Phase Two National Fraud Initiative data matching results will be released around the end of spring 2022.
- 10.2 We also expect further Post Payment Assurance audit sampling requests from the Department for Business, Energy and Industrial Strategy for the Phase Two and Phase Three grants to continue through 2022.
- 10.3 Testing will also be undertaken on the third round of grants which were administered, and this work will be reported back to the Department for Business, Energy and Industrial Strategy as well as reported internally; to management, the Corporate Management Team and the Audit and Standards Committee.

11.0 Financial Appraisal

- 11.1 There are no financial implications.

12.0 Legal Implications

- 12.1 This report takes account of regulation 5 of the Audit and Accounts Regulations 2015 which requires the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

13.0 Risk Management Implications

13.1 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.

14.0 Equality Analysis

14.1 An equalities impact assessment is not considered necessary.

15.0 Appendices

15.1 None.

16. Background Papers

16.1 None.

Jackie Humphrey
Chief Internal Auditor

Report to:	Audit and Standards Committee
Date:	4th July 2022
Title:	Internal Audit and Counter Fraud Report for the financial year 2021-2022 – 1st April 2021 to 31st March 2022
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 2021-2022 – 1st April 2021 to 31st March 2022.
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

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- 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 2021-22.
- 2 Review of the work of Internal Audit carried out in the financial year 2021-22**
- 2.1 During the last quarter of the year, six reports were issued in final and one in draft. Four follow-up reports were also issued. Across the whole financial year, the team issued a total of 25 final reports and 19 follow-up reports.
- 2.2 A list showing all the reports issued during the year, along with assurance levels given, can be found at Appendix A. This list also shows audit reviews carried out in the last financial year where follow-ups are still being carried out. Lines greyed out are showing that follow-ups are not being carried out.
- 2.3 Where there are outstanding recommendations after a follow-up has been carried out, these are listed at Appendix B. This table also gives the feedback from managers made at the last follow-up review.

2.4 There are six audit reviews which have outstanding recommendations following two follow-ups and one following three follow-ups. A summary of these follows but full details are contained in Appendix B.

Business Continuity Planning – Third follow-up:

- At the time of writing this report the fourth follow-up was being undertaken. The outstanding recommendations appear to have been addressed.

Procurement – Second follow-up:

- Work is reported as ongoing and a third follow-up is ongoing.

Members Allowances – Second follow-up:

- Owing to Covid restrictions few claims have been presented so there has been little, or nothing, to test at follow-up. A third follow-up will be carried out in June.

Arrears Collection – Second follow-up:

- The third follow up is ongoing. Also, the committee has requested the Chief Finance Officer and the Director of Service Delivery to attend this meeting and explain the overall position regarding the council's approach to arrears collection.

Implementation of Housing Software – Second follow-up:

- There is one recommendation outstanding and this is around report writing. It was reported that it had not been possible to recruit to this role.

Leaseholder Management and Recharges – Second follow-up:

- There is one recommendation outstanding though work to address it is reported as ongoing – this is to update the Leaseholder Handbook.

Fly-Tipping – Second follow-up:

- At the time of the second follow up there were four recommendations outstanding but all were in the process of being addressed.

2.5 At the beginning of the financial year the work of the team was impacted by carrying a vacancy and the absence of a team member for an extended period. This highlighted the lack of resilience within the team. The request to fill the vacant post was therefore agreed and recruitment was carried out in October, with the new Auditor taking up the post on 10th January 2022.

2.6 At the same time the structure of the Internal Audit team was reviewed following the checking of the Benefits Subsidy Claim work being handed back to Customer First. This work was a substantial part of the Senior Auditor role. The review was undertaken to ensure the internal audit service had the appropriate structure and resources to effectively deliver the internal audit remit in line with the Public Sector Internal Audit Standards. The outcome of the review was that, due to the substantial part of the Senior Auditor role being lost, the post was no longer required and resources could be better deployed to provide more cost-effective auditing hours, whilst delivering a more resilient and professional service.

2.7 Following consultation, this was agreed, and the new structure came into effect on 1st January 2022. The new structure did away with the Senior Auditor post and replaced it with a new Auditor post. A recruitment exercise for the newly formed Auditor post was conducted in March with interviews taking place on 1st April. The new starter began with the team on 9th May 2022.

2.8 Now the team is fully resourced, after initial training has been completed, further reviews of ways of working will be carried out. This will be carried out to ensure

that the ways that audits are planned, carried out and reported are up-to-date, professional and provide the best service possible.

3 Review of the work of Counter Fraud carried out in the financial year 2021-22

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

3.2 The team continues to target the high risk and value areas of tenancy housing while also undertaking other exercises as detailed below. An increase in fraud referrals and information from the public has been noted during and post Covid-19 restrictions – this is partly explained by more people working from home but also the work to increase fraud awareness, particularly tenancy fraud.

3.3 Crown Court Prosecution – A trial at Chichester Crown Court was heard in December 2021 where a former Lewes District Council tenant was found guilty of two counts of fraud for two separate Right to Buy applications. The sentence hearing was delayed until April 2022 where the judge handed down two 24-month prison sentences for each offence to run concurrently. These are suspended for 24 months. The former tenant was also required to complete 40 hours of unpaid work within 12 months, pay a victim surcharge order and prosecution costs of £15,887.

The Counter-Fraud, Legal, and Homes First teams put a significant amount of work into this case which is only the second ever Right To Buy criminal prosecution made by the council.

The property has already been returned to the council following a successful civil court case in 2021 and has been allocated to a family with a genuine housing need.

3.4 Right to Buy – There continues to be a steady volume of applications which increased in the 4th quarter following a mailout to all residents detailing their Right To Buy entitlement. Eight cases are currently being checked to prevent and detect fraud and protect the authority against money laundering. Three applications were stopped during the year resulting in a saving of £253,800 with another four applications withdrawn in the beginning of April 2022. 29 cases which have either been approved for sale or have withdrawn still require a home visit, the delay with these visits is due to changing Covid-19 safety requirements for tenants and staff.

3.5 Fraud Squad TV series - The BBC showed a repeat of the 'Fraud Squad' series in December 2021, the programme aims to highlight Local Authority efforts to prevent, pursue and prosecute offences. One of our investigations, involving a woman who admitted a charge of fraud by false representation by pretending to live in a three-bedroomed council property and claiming a £80,000 Right to Buy discount, was selected as part of this series.

3.6 Housing Tenancy – The team continue 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 H.M. Courts are currently facing. There are 47 ongoing sublet/abandonment tenancy cases at various stages. 10 cases were closed during this period with the successful return of four properties resulting in a net saving to the authority of £372,000.

- 3.7 Housing Applications – The team are working directly with colleagues in Homes First to implement additional counter-fraud measures to ensure the limited housing stock that is available will only be allocated to those in genuine need. Two cases were closed during this period.
- 3.8 Housing Options – Access for Homes First caseworkers and specialists to use H.M. Land Registry and the National Anti-Fraud Network facilities for credit checks has been rolled out to help verify applications and prevent fraud.
- 3.9 National Non-Domestic Rates – 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 £252,255 generated to the authority. 17 cases have been closed during the year with a number still under review.
- 3.10 Council Tax – 51 cases have been investigated where discounts/exemptions were being claimed which have resulted in rebilling with a net recoverable income of £117,815 generated for the authority and a preventative saving of £56,302. A review of Council Tax exemptions/disregards continues.
- 3.11 Council Tax Reduction – Eight cases were closed in this period with a recoverable overpayment of £3,068 with a preventative saving of £3,047.
- 3.12 Housing Benefit – The team continue to work closely with the Department for Work and Pensions (DWP) and colleagues in the benefit section. Due to resource restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. However, this has begun to change with 42 cases closed in this period generating recoverable Housing Benefit overpayments of £60,533 and a preventative saving of £11,694.
- 3.13 National Fraud Initiative — The 2020/21 exercise is ongoing with the team currently prioritising data matching for the Covid-19 business grants. 23 cases were closed during this period with 5 incorrectly paid grant found to the value of £50,000 (any monies recovered are transferred back to Central Government). One Council Tax Reduction fraud was found to the value of £3,400.52.
- 3.14 Data Protection Requests – the team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During this period the team have dealt with 11 Data Protection access requests from the Police and other authorities. In addition, 10 Gas Safety checks were completed on council properties where the tenant has not responded.
- 3.15 Covid -19 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 continuing undertaking post verification work as requested by the Department for Business, Energy and Industrial Strategy. This includes sample checking on each of the grant schemes and reviewing applications where only one grant has been applied for as this has been identified as an area of higher risk of fraud. A report providing an update on this work will be provided separately.

3.16 A table showing the savings made by the Counter Fraud team in 2021-2022 can be found at Appendix C.

4 Managing the Risk of Fraud and Corruption

4.1 Cipfa suggests that 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 Conforming with the Public Sector Internal Audit Standards

5.1 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.

5.2 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.

5.3 There are two areas of partial compliance. These are both to do with the Chief Internal Auditor's annual appraisal having 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 Chief Internal Auditor throughout the year through various meetings or be comment to the Chief Finance Officer.

5.4 The standards require an external review to be carried out at least every five years. A review of the audit function was carried out by a peer review by other members of the Sussex Audit Group in 2016. The resultant report stated that the audit function generally conforms with the standards – this was reported to the committee at the September 2016 meeting. Whilst the peer review for Eastbourne was carried out in 2016, the review for Lewes was carried out in 2018. As the Audit team now covers both authorities, the next review is about due. The Sussex Audit Group has experienced a number of Heads of Audit retiring or leaving and some authorities have chosen to have their internal audit provided by the private sector or partnerships. If the external review were to be carried out by a private sector provider, this would cost anything from around £9,000. However, a meeting has recently been held with the audit functions from Wealden, Rother and Hastings who are all in the same position. All have agreed that they would be willing to participate in a reciprocal peer review, with cost being just in terms of the time of the relevantly qualified person in the department. It is suggested that the reciprocal peer review is the most cost-effective method. Also, the review would be carried out by auditors working in the public sector who understand specific issues/requirements relating to the

public sector. All four authorities are required to obtain the approval of their committees so the reviews will not commence until later in the year. It is recommended that this committee agrees to this approach.

6 Opinion on the control environment.

6.1 As stated earlier in this report, the work of the Internal Audit team was impacted by carrying a vacancy and the absence of a team member for an extended period of time at the beginning of the year. Later in the year, the restructure in the team led to a vacancy while a new position was filled. This impacted the audit plan and reduced the number of audits that could be undertaken during the year. However, it is considered that there were still a reasonable number of reviews carried out across the authority and did not significantly limit the scope of the work.

6.2 The Chief Internal Auditor is required to give an opinion of the overall adequacy and effectiveness of the control environment. The control environment is considered in three ways: the production of the Annual Governance Statement the effectiveness of Internal Audit, and the results of the work of Internal Audit.

Annual Governance Statement: see separate report being brought to this committee meeting.

Effectiveness of Internal Audit: Section 5 of this report covers the self-assessment against the Public Sector Internal Audit Standards and shows that this work is carried out in accordance with the standards.

The work of Internal Audit: It has been noted that a number of recommendations remain outstanding after following up reviews. Many of these are being affected by ongoing lack of resources. This appears to have been caused by the response to the Covid-19 pandemic, changes in staffing, and an inability to be able to fill vacancies in some areas.

While the governance framework is in place and working and Internal Audit are carrying out their work in accordance with standards, the opinion on the control environment has to be caveated by the number of outstanding recommendations.

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 – Audit reports issued and follow-ups

12.2 Appendix B – Recommendations outstanding after follow-ups

12.3 Appendix C – Counter Fraud savings

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Key to assurance levels

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.

Follow Up Reports Issued In Current Year For Audits Completed In Previous Years

AUDIT	FINAL ASSURANCE LEVEL	FIRST FOLLOW-UP DATE	FIRST FOLLOW UP ASSURANCE LEVEL	SECOND FOLLOW -UP DATE	SECOND FOLLOW UP ASSURANCE LEVEL	THIRD FOLLOW -UP DATE	THIRD FOLLOW- UP ASSURANCE LEVEL	FOURTH FOLLOW-UP
IR35 (Off-Payroll working)	No	01.07.21	Minimal	30.11.21	Full	N/A	N/A	N/A
Members Allowances	Substantial	14.07.21	Substantial	22.12.21	Substantial	Not yet due	Not yet due	
Procurement	Partial	26.07.21	Partial	16.12.21	Partial	Not yet due	Not yet due	
Business Continuity Planning	Minimal	21.05.21	Partial	19.08.21	Partial	20.12.21	Partial	Ongoing

Appendix A – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	FINAL ASSURANCE LEVEL	FIRST FOLLOW-UP DATE	FIRST FOLLOW UP ASSURANCE LEVEL	SECOND FOLLOW -UP DATE	SECOND FOLLOW UP ASSURANCE LEVEL	THIRD FOLLOW -UP DATE	THIRD FOLLOW- UP ASSURANCE LEVEL	FOURTH FOLLOW-UP
Arrears Collection	Partial	06.09.21	Partial	18.01.22	Partial	Not yet due	Not yet due	
Implementation of Housing Software	Partial	10.09.21	Substantial	09.02.22	Substantial	Not yet due	Not yet due	
Leaseholder Management and Recharges	Partial	10.09.21	Partial	24.03.22	Partial	Not yet due	Not yet due	
Rechargeable Repairs	Partial	20.09.21	Full	N/A	N/A	N/A	N/A	N/A
Fly Tipping	Partial	22.09.21	Partial	09.02.22	Substantial	Not yet due	Not yet due	
Internet/Intranet/Telephone Payments	Partial	21.10.21	Partial	One recommendation is outstanding as it falls within the remit of the Business Improvement Through Document Management project this will be progressed through that project.				
Officers Expenses	Substantial	09.11.21	Substantial	Ongoing	Ongoing	Not yet due	Not yet due	

Audit Reports Issued In Current Year

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-UP DATE	FIRST FOLLOW UP ASSURANCE LEVEL	SECOND FOLLOW-UP DATE	SECOND FOLLOW UP ASSURANCE LEVEL	THIRD FOLLOW-UP DATE	THIRD FOLLOW- UP ASSURANCE LEVEL
Building Control	14.04.21	Full	N/A	N/A	N/A	N/A	N/A	N/A
Council Tax 20-21	16.04.21	Substantial	N/A	N/A	N/A	N/A	N/A	N/A
Payroll 20-21	02.06.21	Substantial	N/A	N/A	N/A	N/A	N/A	N/A
Revs and Bens Computer System	09.07.21	Full	N/A	N/A	N/A	N/A	N/A	N/A
Benefits 20-21	24.08.21	Substantial	N/A	N/A	N/A	N/A	N/A	N/A
Creditors 20-21	07.09.21	Partial	N/A	N/A	N/A	N/A	N/A	N/A
Housing Rents 20-21	19.10.21	Partial	N/A	N/A	N/A	N/A	N/A	N/A

Appendix A – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-UP DATE	FIRST FOLLOW UP ASSURANCE LEVEL	SECOND FOLLOW-UP DATE	SECOND FOLLOW UP ASSURANCE LEVEL	THIRD FOLLOW-UP DATE	THIRD FOLLOW- UP ASSURANCE LEVEL
Treasury Management 20-21	20.10.21	Substantial	N/A	N/A	N/A	N/A	N/A	N/A
Main Accounting 20-21	01.12.21	Substantial	N/A	N/A	N/A	N/A	N/A	N/A
Debtors 20-21	01.12.21	Partial	N/A	N/A	N/A	N/A	N/A	N/A
Furloughing	06.12.21	Full	N/A	N/A	N/A	N/A	N/A	N/A
Regeneration Projects	06.12.21	Substantial	Ongoing	Ongoing	Not yet due	Not yet due	Not yet due	Not yet due
Love Clean Streets App	16.12.21	Partial	Ongoing	Ongoing	Not yet due	Not yet due	Not yet due	Not yet due
ICT 20-21	10.02.22	Partial	N/A	N/A	N/A	N/A	N/A	N/A
Film Liaison Unit	27.01.22	Minimal	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due
Use of Social Media	02.02.22	Partial	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due
Information Governance	07.02.22	Partial	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due
Covid - New Ways of Working	11.02.22	Partial	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due
Construction Industry Scheme	16.02.22	Partial	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due	Not yet due

Draft Reports Issued In the Current Year That Are Awaiting Responses

AUDIT	Draft issued
Treasury Management 21-22	01.03.22

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RECOMMENDATIONS FROM AUDIT REPORTS WHICH REMAIN OUTSTANDING AFTER FOLLOW UP

COLOUR KEY

High Risk
Medium Risk
Low Risk

REPORTS ISSUED 20/21

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Members Allowances January 2021	Substantial	0	3	0	22.12.21	Second	Substantial	0	2	0	Jun-22	All expenditure must be evidenced by official VAT receipts. Where expenditure includes VAT, reimbursement must be claimed through the creditors system. (1 month)	<u>Audit Comment</u> No claims including VAT had been made by the time of the follow up so this could not be checked
												All expenditure must be charged to the correct general ledger code. (1 month)	<u>Audit Comment</u> Testing at follow up revealed one claim had been incorrectly coded
Procurement December 2020	Partial	0	11	0	16.12.21	Second	Partial	0	9	0	Apr-22	A Procurement Strategy must be written, adopted and disseminated. (12 months)	Due to working pressures this has not progressed however, it has been agreed that the Strategic Procurement Manager role will be made permanent from 1st January 2022. This should help facilitate its progress however, the appointment has not yet been formalised by the issue of a contract.

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												<p>A Procurement Forward Plan must be written, adopted and disseminated. (6 months)</p>	<p>In progress, a number of business plans have been received to support the developments of the forward plans. There is potential for this to be incorporated into the Community Wealth Building Officer role.</p>
												<p>Performance against the Procurement Forward Plan must be monitored and reported. (6 months)</p>	<p>The comments from the last follow up apply and the Strategic Procurement Manager has monitored savings and social value commitments against the procurements which he has managed. <u>Audit comment:</u> Responsibility for updating the contract register going forward must be identified.</p>
												<p>Policies and procedures must clearly state that Corporate contracts must be publicised around the Council. (12 months)</p>	<p>Councils are required to publish transparency data about their contracts on a quarterly basis. Although the councils' contract registers are published on the website, they are incomplete and the data in some cases is inaccurate. <u>Audit comment:</u> Responsibility for updating the contract register going forward must be identified.</p>

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												<p>Policies and procedures must clearly state that where corporate contracts exist these, and no other company, must be used.</p> <p>(12 months)</p>	<p>Amendments to the Contract Procedure Rules are still being worked on.</p>
												<p>Creditor expenditure must be regularly reviewed and investigated to highlight opportunities to put contracts in place and identify failure to use current corporate contracts.</p> <p>(6 months)</p>	<p>Spend analysis is completed on an annual basis.</p> <p><u>Audit comment:</u> To ensure that expenditure out of contract is identified promptly spend analysis should be completed on a more regular basis.</p>
												<p>Non-compliance of raising purchase orders must be monitored and persistent offenders reported to the head of the relevant service area.</p> <p>(6 months)</p>	<p>We are reviewing available resources to be able to implement this new initiative including assigning the new interim systems accountant to this task to ensure compliance.</p>
												<p>A note must be added to guidance on raising invoices reminding officers to: • check the contracts register to consider whether their order could fall under the remit of a supplier with whom the organisation has an outstanding contract. Where a corporate contract exists these,</p>	<p>Guidance for raising purchase orders will be updated to remind officers to check the contracts register for the supply of goods and services.</p>

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												and no other company, must be used • prompt officers to consider using suppliers already set up on the creditors system for a similar product (3 months)	
												The ability to expand the “Types” facility within Creditors must be investigated and if possible use of “Types” implemented across EBC, LDC, EHL and SEESL. (6 months)	A meeting with the Strategic Procurement Manager will be arranged to consider the use of “Types” and whether this would work.
Business Continuity Planning November 20	Minimal	4	0	0	20.12.21	Third	Partial	2	0	0	Currently ongoing	Business Continuity Plans for both councils must be completed and adopted as soon as possible. (6 months)	The County Emergency Planning Officer was going to assist in training our Heads of Service (HOS) to complete their Business Impact Assessments. However the officer has now left and our Emergency Planning Officer, who has undertaken a week’s intensive training course on business continuity will be undertaking the training of HOS with the Emergency Planning Officer and Regulatory Services Lead and Emergency Planning Officer in the New Year.

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												Business Continuity Plans for every department must be completed and adopted as soon as possible. (6 months)	The County Emergency Planning Officer was going to assist in training our Heads of Service (HOS) to complete their Business Impact Assessments. However the officer has now left and our Emergency Planning Officer, who has undertaken a week's intensive training course on business continuity will be undertaking the training of HOS with the Emergency Planning Officer and Regulatory Services Lead and Emergency Planning Officer in the New Year.
Arrears Collection January 2021	Partial	2	2	3	18.01.22	Second	Partial	2	1	3	Ongoing	Action must be taken to investigate the possible recovery of old debts. (12 months)	<u>Lead for Income Maximisation and Welfare</u> Action has begun to address the immediate priority debt stream as directed by the Chief Finance Officer which is to maximise the collection of overpaid Housing Benefit debts. The approach and strategy was set out in a report that was presented to Corporate Management Team in September and subsequently to the Accelerating Change Steering Group in November. Recommendations to deploy a digital recovery strategy and purchase a

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
													<p>module that will help to increase Direct Earnings Attachment Orders for debts where it has been possible to identify a debtors employer through matching to HMRC records. The contract for the digital recovery strategy was signed in December and the data sharing agreement is being finalised by Legal Services. Implementation will start in the New Year once the delivery of the latest round of CV-19 business grants has finished towards the end of February.</p>
												<p>Where appropriate consideration must be given to writing off old debts as irrecoverable. (6 months)</p>	<p><u>Head of Customer First</u> There is a write off procedure but the historic debts need to be reviewed in conjunction with finance to ensure they are ok to be passed for write off. (The Head of Customer First later explained that her comments are superseded by the comments below). Lead for Income Maximisation and Welfare The councils have limited powers for writing off debts in respect of Council Tax and Business Rates which are legally due and payable. There is no legal power to write off, for instance, on the grounds</p>

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
													that the customer cannot afford to pay. In practice the councils are therefore able only to write off under the following exceptional circumstances: · The debt is uneconomic to pursue any further · The debtor has absconded or the debtor is deceased · A term of imprisonment has been served (no further recourse to recover the outstanding amount) · The debtor has gone into bankruptcy or liquidation and there no funds available to creditors We cannot easily 'strategise' writing off aged debts by oldest year, especially through automation or bulk write off as it requires a case-by-case review to assess individual cases which is time consuming and must be balanced with the collection and recovery of in-year debts. There is also a duty to protect the public purse for those residents that do pay their Council Tax on time otherwise the cost of writing off a significant amount of debt will be passed on to the taxpayer. Due regard to the Council's bad and doubtful debt provisions

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
													must be considered in this regard.
												<p>Consideration should be given to aligning all income and recovery departments under the management of Customer First / Account Management (3 months)</p>	<p><u>Head of Customer First</u> When we are fully staffed we will be focussing some of the team on recovery of debt as a full-time piece of work. We are also in the process of identifying those with multiple debts across services and contacting them to offer assistance and advice.</p>
												<p>An overarching corporate arrears collection strategy must be drawn up and adopted, under which the separate policies for the individual debt streams sit, to ensure council departments responsible for collecting monies are acting in accordance with approved guidelines. (3 months)</p>	<p><u>Deputy Chief Finance Officer</u> The Fair Debt Policy has not been updated for a while and probably needs updating to include Debt Relief Orders , IVAs and Bankruptcy as well as Breathing Space as they are all a common occurrence due to the current economic climate. The Fair Debt Policy will need to be written as such that all debts streams are incorporated including the different rules and regulations.</p>

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												<p>A review of the terms of Debtor accounts should be undertaken to ascertain if it is possible or practical to add interest to unpaid invoices.</p> <p>(3 months)</p>	<p><u>Deputy Chief Finance Officer</u></p> <p>Agreed – will work with the Debtors Team Leader to implement this</p>
												<p>Investigation should be undertaken to ensure Aged Debt Analysis reports are available for all income streams and used for monitoring recovery of arrears.</p> <p>(3 months)</p>	<p><u>Head of Customer First</u></p> <p>This piece of work is still ongoing and I will work with IT BAU to get this in place as soon as possible. This requires work by our suppliers.</p>
<p>Implementation of Housing Software</p> <p>March 2021</p>	Partial	2	0	1	09.02.22	Second	Substantial	1	0	0	May-22	<p>Resources must be made available to ensure constructive communication and cohesive working across the teams enables knowledge sharing to produce the required report parameters.</p> <p>(1 month)</p>	<p>This work is ongoing as recruitment to the new role re: report writing has not, yet, been successful. Other options are currently being considered.</p>

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Leaseholder Management and Recharges December 2020	Partial	0	2	0	4.03.22	Second	Substantial	0	1	0	June-22	The Leaseholder Charges, Handbook, Legal and General Leasehold scheme and Permission for Alterations form must be made available on the councils' website, for LDC Leaseholders. (6 months)	1st draft completed and consultations will begin April 2022
Fly Tipping March 2021	Partial	0	7	0	09.02.22	Second	Substantial	0	4 all ongoing	0	May-22	The councils must develop a fly-tipping policy and strategy. (3 months)	This has been written and is going to Cabinet for adoption.
												The current procedures must be reviewed to ensure that they are up to date and include the following: • accurately recording evidence of the fly tip • all investigation steps taken • all enforcement action taken (3 months)	Now reviewing these with a proposed completion dates of end April 2022
												Procedures must be put in place to monitor the following: • administration of fly-tipping • decision making • penalty notices issued • record of payments received • action taken when payments are not received (3 months)	Now reviewing these with a proposed completion dates of end April 2022

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												Standard fly-tipping letters must be reviewed, aligned and made available for use by all officers in Neighbourhood First. (3 months)	Letters are being developed and should be completed in the two weeks.
Officers Expenses February 2021	Substantial	2	2	11	09.11.21	First	Substantial	0	1	5	Ongoing	The Reimbursement of Officers Expenses via Creditors claim form must be updated to include a link to up to date relevant council rules. (3 months)	There has been staff availabilities issues and I will suggest the deadlines are extended.
												Officers expenses claims forms should be amended to have a tick box to be completed to show that a VAT receipt has been attached and a disclaimer that expenses claims may be questioned if there is no VAT receipt or the receipt is illegible. (3 months)	There has been staff availabilities issues and I will suggest the deadlines are extended.
												Consideration should be given to listing the most regularly used detail codes on the instructions tab of the Officers Expenses claim form. (e.g. travel, subsistence, equipment etc) and a note to cross	There has been staff availabilities issues and I will suggest the deadlines are extended

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												reference this put onto the form itself. (3 months)	
												The mileage claim form must be changed to ask for the total mileage as calculated by AA route planner and not ask for mileometer readings. A screen dump of the AA route planner showing the route and total mileage should also be asked for on the claim and no claim processed unless a screen dump was sent with the claim. (3 months)	The claim form on the Hub has not been updated regarding mileage calculation and Head of HR confirmed that they were not aware of any mileage calculation claim form changes.
												Claims for off-peak travel between Lewes and Eastbourne must be paid at the post 9am return rail fare once the appropriate Easit discount has been applied regardless of whether the officer claiming used the Easit discount in accordance with the Travel Policy. (1 month)	To be raised at the next Senior Manager Forum.

Appendix B – Quarterly Report on Internal Audit and Counter Fraud Work

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
												Detail codes quoted on expense claim forms must be checked, prior to payment being made, to ensure that where the claim is relates to an obvious cost (e.g. subsistence) the correct code has been used. (3 months)	To be raised at the next Senior Manager Forum.

REPORTS ISSUED 21/22

Some follow-ups are currently ongoing.

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INCOME AND SAVINGS ACROSS THE CURRENT FINANCIAL YEAR

Areas of 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	£93,000.00	0	£279,000.00	0	0	0	0	£0.00	£372,000.00
Right To Buy value saved through intervention	0	0	0	£84,600.00	0	£169,200.00	0	0	£0.00	£253,800.00
Housing intervention/fraud	0	0	0	0	0	0	0	0	£0.00	£0.00
Revenues										
National Non Domestic Rates	£63,582.19	0	£130,428.28	0	£58,244.62	0	0	0	£252,255.09	£0.00
Council Tax	£4,170.46	0	£4,045.04	0	£823.52	0	£108,776.90	0	£117,815.92	£0.00
Value of ongoing Council Tax increase per week	0	£17,836.16	0	£2,995.52	0	£5,158.40	0	£30,312.32	£0.00	£56,302.40
Council Tax Penalties	0	0	0	0	0	0	0	0	£0.00	£0.00
CTR & Housing Benefit										
Council Tax Reduction	0	0	£1,445.48	0	£850.42	0	£772.64	0	£3,068.54	£0.00
Council Tax Reduction weekly incorrect benefit	0	0	0	0	0	£1,384.64	0	£1,663.04	£0.00	£3,047.68
Housing Benefit	0	0	£3,276.91	0	£56,883.73	0	£372.87	0	£60,533.51	£0.00
Housing Benefit weekly incorrect benefit	0	0	0	£3,371.20	0	£8,323.20	0	0	£0.00	£11,694.40
Income from Administrative penalty collection	0	0	0	0	0	0	0	0	£0.00	£0.00
NFI										
Overpayments identified	0	0	£3,000.00	0	0	0	£400.52	0	£3,400.52	£0.00
Weekly incorrect benefit identified	0	0	0	0	0	0	0	0	£0.00	£0.00
TOTALS	£67,752.65	£110,836.16	£142,195.71	£369,966.72	£116,802.29	£184,066.24	£110,322.93	£31,975.36	£437,073.58	£696,844.48

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Report to:	Audit and Standards Committee
Date:	4th July 2022
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 Process

- 2.1 The Strategic Risk Register is the top level of the risk management process. Whilst the Strategic Risk Register is considered quarterly at the Corporate Management Team, this is simply a review of the register itself.
- 2.2 There are many different risks and pieces of work that feed into the Strategic Risk Register. These are managed and monitored on a day to day basis within the relevant sections and departments.
- 2.3 The quarterly meeting of the Corporate Management Team to discuss the Strategic Risk Register allows the relevant Director/Assistant Director to provide feedback on risks in their area. This information is then used to consider changes that may need to be made to the Strategic Risk Register.
- 2.4 The Corporate Management Team will also carry out “horizon scanning” at these meetings: considering issues that are arising and considering whether they need to be included in the register.

3 June 2022 Review

- 3.1 The Strategic Risk Register was taken to Corporate Management Team on 8th June 2022 for the quarterly review.
- 3.2 At the committee meeting in March, questions were raised about the impact of the war in Ukraine on the risk register. Corporate Management Team discussed these and the following was decided.
- Escalation/call up of staff: the Civil Contingencies Act covers war and the effects of an event under the Civil Contingencies Act is dealt with under risk SR_027.
- Denial of service attacks: denial of service is already covered under risk SR_026 "Council prevented from delivering services for a prolonged period of time".
- The Head of Legal Services and Monitoring Officer also pointed out that there is a new Procurement policy which lays down that procurement can be based on non-commercial reasons to reduce exposure to companies with links to certain countries.
- For the reasons given above, the Corporate Management Team decided that no changes were required.
- 3.3 The committee had also raised the current concerns with rising energy prices and cost of living. This was considered and it was agreed to add a description to risk SR_022 "Changes to the economic environment makes the council economically less stable". The description added reads "Rising energy prices and inflation affecting the cost of living will affect the ability of customers to pay rent and council tax."
- 3.4 At the March meeting, the committee raised question around the planning for building on flood plains and coast erosion. Corporate Management Team discussed this issue and felt that the planning aspect was dealt with by the local plan. In terms of the strategic risk register, which deals with risks that would prevent the council from achieving its objectives, these are already reflected under SR_027 "council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act", particularly description 4. However, it was agreed to update the description "emergency caused by a climate change event" by adding "(e.g. increased flooding risks)".
- 3.5 Three further changes of wording have been made simply for a matter of clarity and these are listed below:
- SR_025 – it was mentioned by the Corporate Management Team that the wording of internal control 1. was not particularly clear. This has therefore been changed from "deliver a fit for purpose organisational culture" to "build an organisational culture that supports equality and inclusivity through communication and support."
- SR_026 – description 3. has been updated to reflect the current position by adding a reference to contingency plans that have been put in place.
- SR_029 – the wording of the risk has been altered from "commercial enterprises that are fully controlled by the authority..." to "commercial enterprises and investments ..." this is to acknowledge that not all such activities are fully controlled by the authority.
- 3.6 The changes can be seen on the Strategic Risk Register at Appendix A.

4. Financial appraisal

4.1 There are no financial implications arising from this report.

5. Legal implications

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

6. Risk management implications

6.1 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.

7. Equality analysis

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

8. Appendices

8.1 Appendix A - Strategic Risk Register

9. Background papers

9.1 None.

Jackie Humphrey
Chief Internal Auditor

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Strategic Risk Register (Lewes)



Report Type: Risks Report
Generated on: 09 June 2022

Current Risk Matrix		LIKELIHOOD 1 - Unlikely 2 - Possible 3 - Likely 4 - Highly Likely 5 - Almost Certain	IMPACT 1 - Minor 2 - Moderate 3 - Significant 4 - Major 5 - Critical
		The numbers in circles relate to the amount of risks currently positioned in each box.	

Page 87

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	02-Aug-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_022	Changes to the economic environment makes the council economically less sustainable.	<p>1. Economic development of the district suffers.</p> <p>2. Council objectives cannot be met.</p> <p>3. Council will need to provide a new service for inspecting imports at the port.</p> <p>4. Covid-19 has had a significant impact on the council's finances.</p> <p>5. The council's Recovery and Stabilisation programme fails to meet its objectives.</p> <p>6. Rising energy prices and inflation affecting the cost of living will affect the ability of customers to pay rent and council tax.</p>	5	5	25	<p><u>Reduces Impact</u></p> <p>1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macroeconomic environment triennially.</p> <p>2. Creating an organisational architecture that can respond 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><u>Reduces Likelihood</u></p> <p>5. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.</p>	Chief Finance Officer	4	5	20	Red	02-Aug-2022
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>	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Grounding significant corporate decisions based on up-to-date, robust, evidence base. (e.g. Census; Corporate</p>	Director of Service Delivery	3	3	9	Amber	02-Aug-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>3. Council structure unsustainable and not fit for purpose.</p> <p>4. Heightened likelihood of fraud.</p> <p>5. Failure to support Newhaven Port Authority in the changes could result in an economic downturn in the town.</p>				<p>Plan Place Surveys; East Sussex in Figures data modelling).</p> <p>2. Ensuring community and interest group engagement in 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>						
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 the council 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	02-Aug-2022

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.	<ol 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. 7. The council's Recovery and Stabilisation programme fails to meet its objectives. 	4	4	16	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 1. Build an organisational culture that supports equality and inclusivity through communication and support. <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> 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. 4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme. 	Asst Director for HR and Transformation	3	4	12	Amber	02-Aug-2022
SR_026	Council prevented from delivering services for a prolonged period of time.	<ol 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> <ol 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> <ol style="list-style-type: none"> 2. The council has created a more flexible, less locationally dependent service architecture. 	Chief Executive	2	4	8	Amber	02-Aug-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<u>Reduces Impact</u> 3. Regularly reviewed and tested Business Continuity Plans and updated contingency plans actioned. 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.	1. Service profile of the council changes materially as a result of the impact of the event. 2. Cost profile of the council changes materially as a result of the impact of the event. 3. Work adversely affected by reduced staff numbers owing to effects of pandemic virus. 4. Emergency caused by a climate change event (e.g. increased flooding risks)	5	5	25	<u>Reduces Likelihood and Impact</u> 1. Working in partnership with other public bodies. 2. Robust emergency planning and use of council's emergency powers. <u>Reduces Impact</u> 3. Ongoing and robust risk profiling of local area (demographic and geographic). 4. Review budget and reserves in light of risk profile. <u>Reduces Likelihood</u> 5. Adoption of, and action taken to implement, the council's Climate Change and Sustainability Strategy.	Chief Executive	2	3	6	Amber	02-Aug-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
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> <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. Developing, maintaining and monitoring robust governance framework for the council.</p> <p>2. 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>3. Ensure there is full understanding the impact of new legislation.</p> <p>4. All managers are required to abide by the council's procurement rules.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>5. Building relationships with regulatory bodies.</p> <p>6. Develop our Performance Management capability to</p>	Chief Executive	2	4	8	Amber	07-Jun-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						ensure early intervention where service and/or cultural issues arise. 7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.						
SR_029	Commercial enterprises and investments do not deliver financial expectations or do not meet governance requirements.	<ol style="list-style-type: none"> 1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law. 	5	5	25	<u>Reduces Likelihood</u> <ol style="list-style-type: none"> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Up, or re, -skill staff to maximise commercial opportunities. <u>Reduces Likelihood and Impact</u> <ol style="list-style-type: none"> 3. Ensure that projects meet core principles. 4. Ensure governance processes are set up and adhered to. 	Director of Regeneration and Planning And Chief Executive	3	3	9	Amber	02-Aug-2022
SR_030	The council suffers a personal data breach by inadequate handling of data or by an IT incident.	<ol style="list-style-type: none"> 1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a 	3	4	12	<u>Reduces Likelihood</u> <ol style="list-style-type: none"> 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course. 	Chief Executive	2	4	8	Amber	02-Aug-2022

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>result of regulatory intervention/penalties.</p> <p>3. Deterioration of service performance as a result of regulatory intervention/penalties.</p> <p>4. Increased probability of compensation claims by persons affected by a personal data breach.</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> <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:	4th July 2022
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 for 2021-22.
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 affected by, and effects, 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, the Regulation of Investigatory Powers Act (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 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 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 was reviewed last year and, wherever possible, hyperlinks or URLs were included to link to relevant information. A table was also been added which covers companies and gives details of the council's relationship with these bodies. This year some further changes have been

made, including taking out information that can be found using the hyperlinks provided and updating the formatting. These changes are again intended to make the document easier to read whilst giving access to more in-depth information via the links provided.

4 The 2021-2022 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. 21 statements were sent out and 20 were returned.
- 4.2 Appendix 4 lists the feedback noted in the Managers' Assurance Statements. It should be noted that the feedback received are subjective descriptions of the officers responding. Therefore, these have been grouped under relevant headings to make these easier to consider. The list also shows the number of returned statements that contained similar feedback. This list was considered by the Corporate Management team to decide whether any should be included in the Annual Governance Statement.
- 4.3 The Corporate Management team considered the feedback listed in Appendix 4. In particular it was noted that the issue with the lack of people in the employment market is affecting all areas of the country and all sectors and that this is unlikely to end soon. Also, the transition from Covid restrictions and issues around the economy are also putting pressure onto the council. The council also continues to carry out the extra tasks of distributing grants and other funds to residents.
- 4.4 However, Corporate Management team believe that mitigating actions have been put in place to address the risks in these areas. Where demand has increased over Covid, these teams have been given increased resources. The employment market is also monitored with consideration given to collaboration and partnership working to further navigate these national challenges. The financial impacts to date have been managed in a timely and appropriate manner. Early engagement with the Department for Levelling Up, Housing and Communities, regular return of all financial management information, close monitoring of cashflow transactions, cost controls, regular member briefings and engagements have all been put in place. Transformational changes and solutions to financial shortfalls are in place and are expected to be continued.
- 4.5 The Corporate Management team are therefore of the opinion that there are no significant governance issues. However, it is acknowledged that the following areas are of considerable concern:
- Longer term impact of the pandemic on the council's finances
 - Longer term local government funding allocation
 - Increasing demand for key services

The council maintains a strategic risk register and carries out regular reviews of its internal controls to ensure early prevention and/or mitigation of risks and governance concerns.

- 4.6 The committee is requested to consider the attached draft Annual Governance Statement (Appendix 5). 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

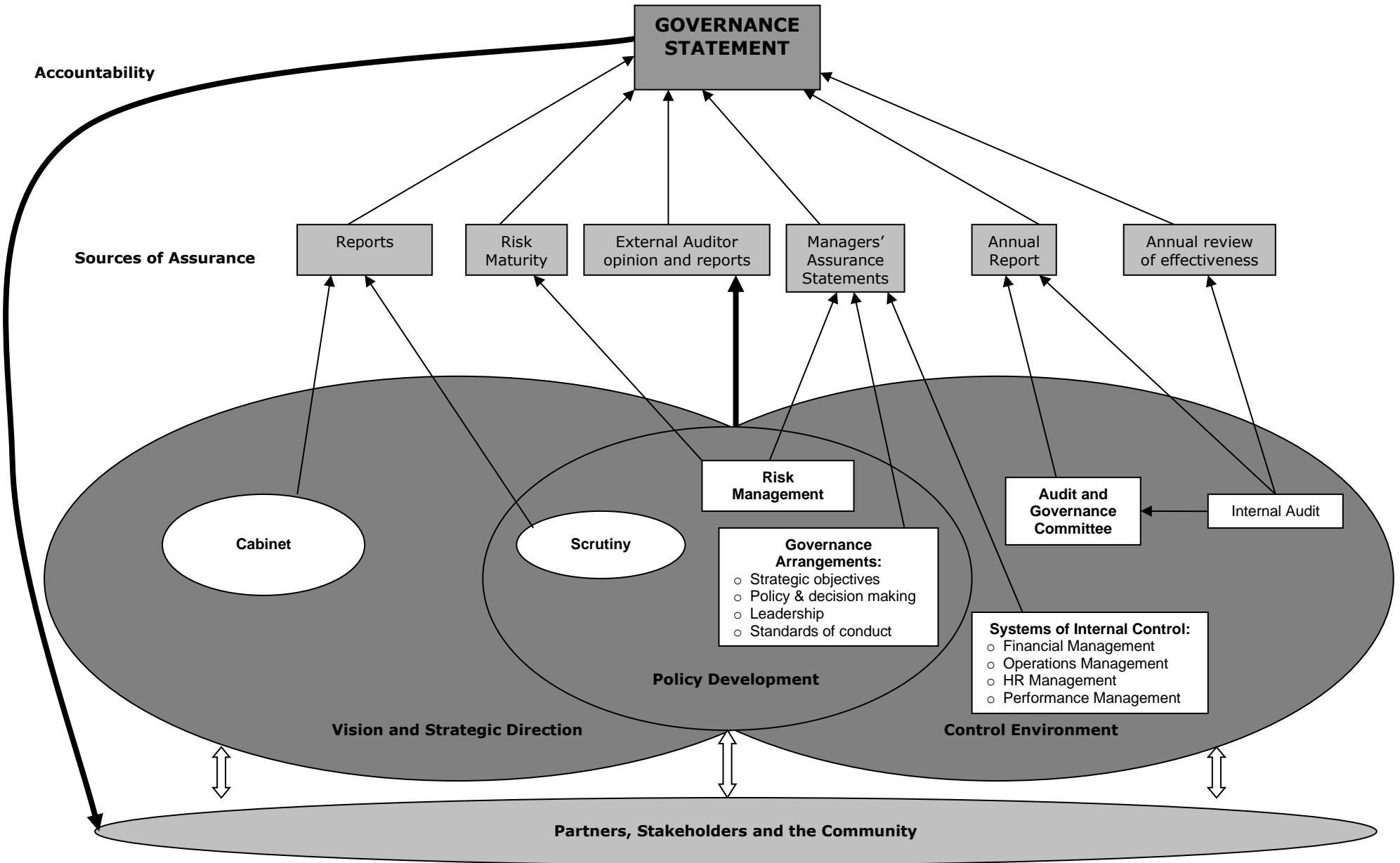
- 10.1 Appendix 1 – Governance Framework
- 10.2 Appendix 2 – Annual Governance Statement Timetable
- 10.3 Appendix 3 – Managers' Assurance Statement
- 10.4 Appendix 4 – Feedback from the Managers' Assurance Statements
- 10.5 Appendix 5 – Annual Governance Statement

11 Background papers

- 11.1 Internal Audit Report for the financial year 2021-2022.

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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

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

	<ul style="list-style-type: none"> • Arrangements are in place to obtain assurance on the management of key risks
The capacity and capability of officers has been developed to ensure effective performance.	<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
Robust public accountability is ensured by engaging with local people and stakeholders	<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
Adequate processes have been put in place for the safeguarding of children and vulnerable adults.	
Adequate action has been taken to ensure compliance with the requirements of the Bribery Act.	<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.
Are you satisfied that documents are held and disposed of in accordance with data protection requirements and the Councils' Retention and Disposal Schedule?	
Has any external review been carried out in your department?	
Have you had reason for using/considering using surveillance which would fall under RIPA?	
Have you used or considered using covert/directed surveillance either under RIPA or outside it?	
Are you aware of any frauds over £10k that have not already been informed to the Internal Audit section.	

APPENDIX 4 – FEEDBACK RECEIVED FROM MANAGERS’ ASSURANCE STATEMENTS

Subject	Governance or Operational	Number of responses referencing this feedback out of a total of 20	Feedback Received	How these are being addressed/mitigated
Capacity	Operational	17	Lack of resourcing; staff stretched by extra work; performance and behaviour; recruitment and retention; need to build skills and resilience.	Corporate Management Team and Senior Managers Forum continue to monitor the tight labour market and consider ways in which staff can be recruited, retained and developed. Consideration is also given to ways of working to ensure they are as efficient and effective as possible, along with considering ways of collaboration and partnership working to further mitigate these national challenges.
Hybrid working	Operational	8	Working from home when schools are closed; some staff less productive working from home; need for collaboration space in the offices; need for more bookable rooms and storage spaces.	The council has adopted and implemented a Hybrid Working Policy and managers have been given training on managing remote teams. There are desks in offices which can be booked and staff are reminded of this and encouraged to book if there is a need. With the relaxation of Covid rules, consideration is being given, by the Recovery and Stabilisation programme, to providing more collaboration spaces.
Governance	Governance	6	Codes, rules and policies not understood or universally followed; relaxed controls in response to Covid; projects commencing before full governance arrangements in place (due to lack of clear timetables from central government); lack of knowledge/awareness of procurement and contract rules.	The council provides ongoing training and communication to all staff to ensure compliance. There are also checks in place on work carried out. Reports to Cabinet and committees routinely include legal implications which are drafted by a qualified lawyer. Governance arrangements have been put in place to ensure appropriate oversight of projects.

APPENDIX 4 – FEEDBACK RECEIVED FROM MANAGERS’ ASSURANCE STATEMENTS

Subject	Governance or Operational	Number of responses referencing this feedback out of a total of 20	Feedback Received	How these are being addressed/mitigated
Remote/hybrid meetings	Operational	5	Holding remote council meetings; using new technology for hybrid meetings; external partners wanting to meet in person; lack of in-person meetings impacting some funding bids.	Virtual meetings and consultations have been held via MS Teams, which have addressed concerns over being unable to meet in person. IT infrastructure put in place to hold remote meetings and also stream those meetings to the public live (via YouTube), in order to be lawful. Technology has also been put in place to allow hybrid meetings, where the participants can attend in-person or join via the internet.
Retention and disposal	Governance	5	It was noted that a project is underway to address issues but that concerns were noted until the project is completed.	The Business Improvement Through Document Management programme has been identifying the location of paper records and arranging for them to be sorted and, where appropriate, disposed of. It is ensured that new IT systems being purchased have in-built retention and disposal processes. For existing IT systems, document management and disposal modules are being purchased.
Effect of Covid on finances	Governance	5	The responses focussed on the negative impact of the response to the Covid pandemic on income and finances in general.	The financial impacts to date have been managed in a timely and appropriate manner. Early engagement with the Department for Levelling Up, Housing and Communities, regular return of all financial management information, close monitoring of cashflow transactions, cost controls, regular member briefings and engagements. Transformational changes and solutions to financial shortfalls are in place and are expected to be continue.

APPENDIX 4 – FEEDBACK RECEIVED FROM MANAGERS’ ASSURANCE STATEMENTS

Subject	Governance or Operational	Number of responses referencing this feedback out of a total of 20	Feedback Received	How these are being addressed/mitigated
Delegated powers	Governance	4	Perceived lack of understanding; scheme of delegation requires review; needs aligning across councils.	Training and 1-2-1's reinforce the importance of the delegated regime. A review of the scheme of delegation is underway as of April 2022. Scheme of delegations and constitutions continue to be reviewed and aligned to improve clarity.
Members	Governance	4	Giving advice to Members; Member demand on officer time; relationships between officers and members; dealing with complaints around Member conduct.	Training and 1-2-1's reinforce the importance of Members relations and ongoing training and communication to all staff/ members to ensure compliance. Complaints dealt with under Members Code of Conduct with refresher training planned.
Safeguarding	Governance	3	Keeping training up to date; ensuring the number of internal contacts is appropriate; ensuring the safeguarding of a vulnerable member of staff.	There are two online courses for Safeguarding, both of these are mandatory and must be undertaken by all staff. In the area where the number of contacts is low a review of safeguarding contacts is underway
Other	Operational	2	Delay in IT integration leading to extra costs	Work continues to deliver full integration as soon as possible.
	Operational	1	Aging fleet of vehicles with added costs of vehicle hire.	Engaging with Fleet Suppliers to support ongoing Fleet Procurement Plan
	Operational	1	Trade waste affected by closure of eating establishments during lockdown.	This was temporary where these establishments were closed. The situation will be monitored.

APPENDIX 4 – FEEDBACK RECEIVED FROM MANAGERS’ ASSURANCE STATEMENTS

Subject	Governance or Operational	Number of responses referencing this feedback out of a total of 20	Feedback Received	How these are being addressed/mitigated
Other	Governance	1	Time pressures associated with providing legal implications for reports to Cabinet and committees.	Reports to Cabinet and committees routinely include legal implications which are drafted by a qualified lawyer. Staff are reminded to pass their reports to Legal as soon as possible.
	Operational	1	Engagement with local groups	Virtual meetings and consultations have been held via MS Teams, which have addressed concerns over being unable to meet in person. IT infrastructure put in place to hold remote meetings and also stream those meetings to the public live (via YouTube), in order to be lawful. Technology has also been put in place to allow hybrid meetings, where the participants can attend in-person or join via the internet.
	Governance	1	Risk of bribery in planning application process	Controls are in place to prevent this risk and the council has an Anti-Bribery Policy.
	Governance	1	Decision making	Decision making is kept transparent by reports presented to Cabinet and committees. These reports contain sections on financial appraisal, legal implications and risk management implications
	Operational	1	Communications internally and externally	Working closely with the council’s press/ communication officer/s, Corporate Management team and colleagues. Various consultations are also carried out. Ongoing staff briefings are in place and the use of other more structured forums such as Corporate Management team, Senior Managers’ Forum, etc. on an ongoing basis. These forums and initiatives are kept under review.

APPENDIX 4 – FEEDBACK RECEIVED FROM MANAGERS’ ASSURANCE STATEMENTS

Subject	Governance or Operational	Number of responses referencing this feedback out of a total of 20	Feedback Received	How these are being addressed/mitigated
Other	Operational	1	Fuel costs and shortages	Maintain vigilance and relationships, especially with suppliers.

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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.

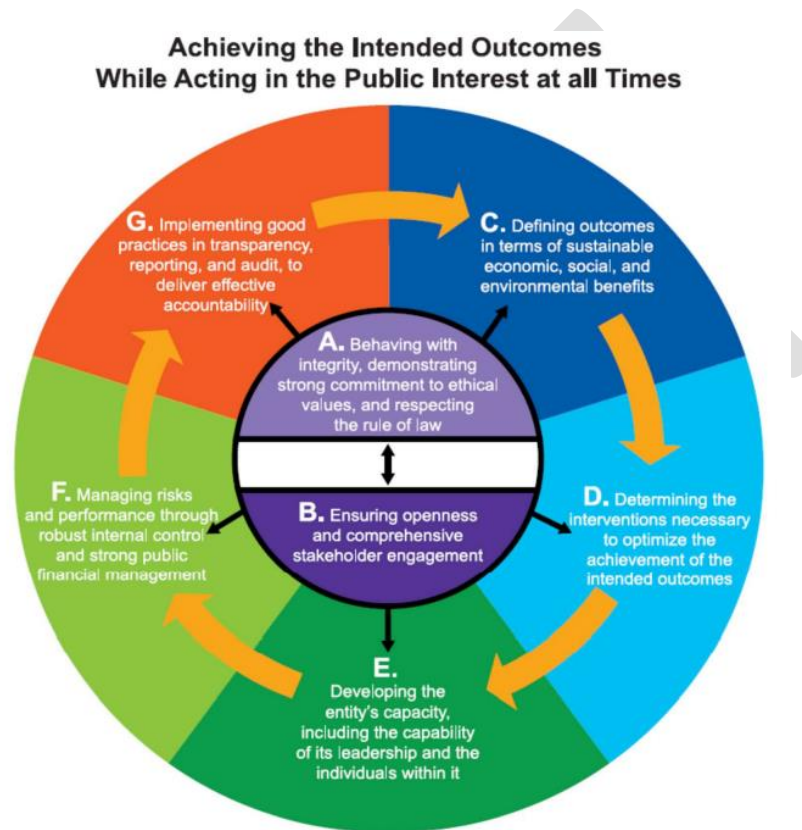
In discharging this overall responsibility, the council is required to put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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)

The principles of good governance are given in the CIPFA/SOLACE *Delivering Good Governance in Local Government Framework 2016* from which the following diagram is taken.



Source: CIPFA 2016

The Code of Corporate Governance contains a table which demonstrates how the council meets the core principles.

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.

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.

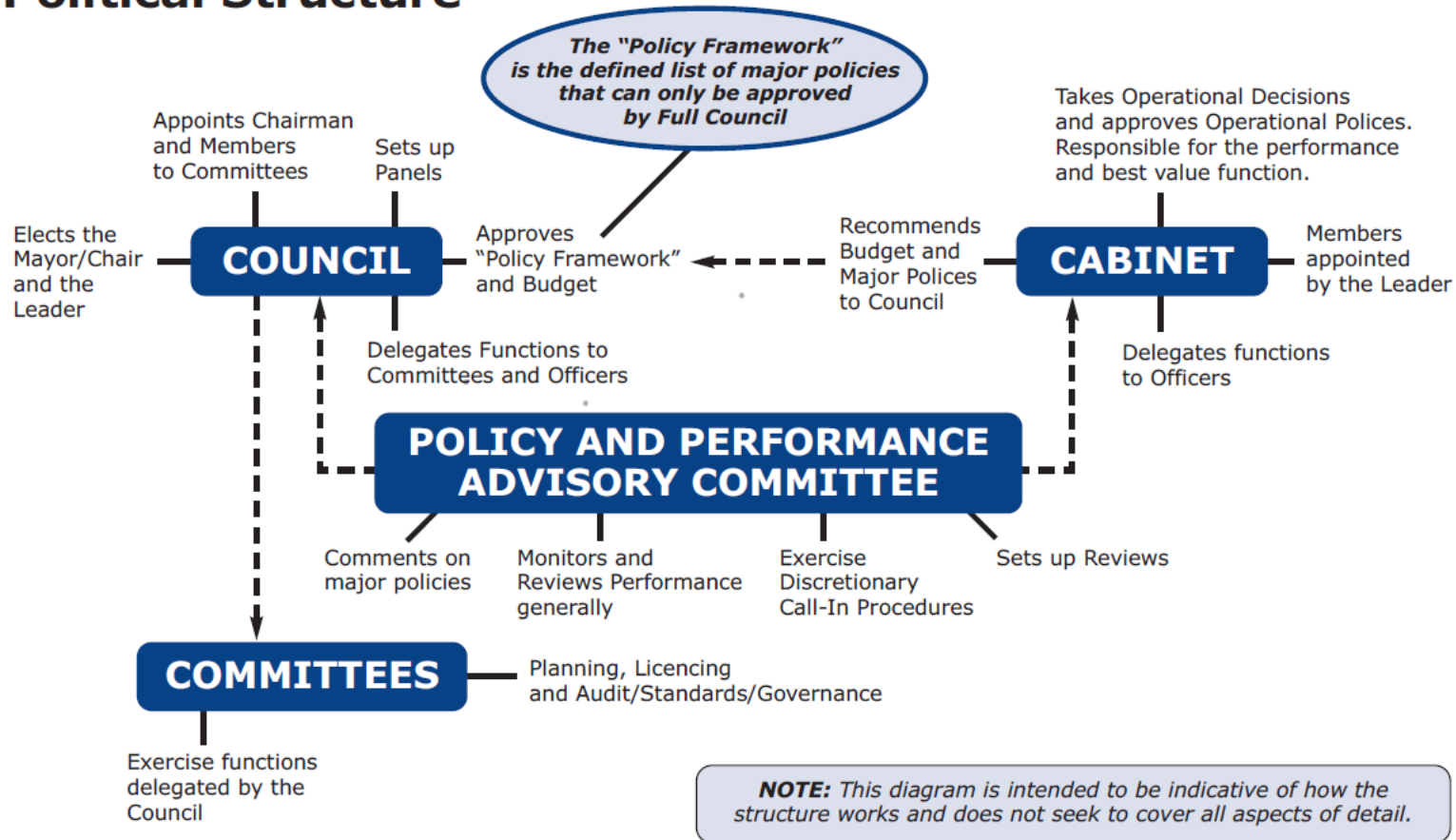
The production of this Annual Governance Statement forms part of the governance framework by providing a review of the governance arrangement in operation during the financial year.

The Governance Framework

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

How it Works...

The Modernised Political Structure



Roles and Responsibilities

Head of Internal Audit

The head of internal audit (Chief Internal Auditor) provides an independent opinion on the control environment. This is based on the work of the internal audit team in delivering a risk-based audit plan of a breadth sufficient for the head of internal audit to place reliance on it to base their opinion on.

Monitoring Officer

The Head of Legal Services has been designated as the Monitoring Officer. The Monitoring Officer has the duty to ensure that the council, its officers and its elected Councillors, maintain high standards of conduct.

Chief Finance Officer

The Chief Finance Officer has been designated as the s.151 Officer. They are responsible for ensuring that the council controls and manages its money efficiently.

Scrutiny and Review

Scrutiny and review is provided by the following:

Audit and Standards Committee

The committee provides assurance by carrying out independent scrutiny of areas such as audit, risk management, counter fraud and financial accountability. It does this by way of reviewing reports provided to its quarterly meetings.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=423>

Policy and Performance Advisory Committee

The committee reviews the delivery of services and performance and supports the work of the Cabinet and Council. It allows Councillors outside the Cabinet, and members of the public, to have a greater say in council matters by investigating issues of local concern.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=641>

Cabinet

The Cabinet is responsible for most day-to-day decisions of the council. Each member is assigned a portfolio identifying areas of responsibility for which they provide a political lead at Cabinet meetings and for working in consultation with officers.

For more information see: <https://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=417>

Corporate Management Team

The team provides strategic management and planning. The team also considers the annual Internal Audit plan, Strategic Risk Register and Annual Governance Statement.

External Audit

The external auditors audit the financial statements and provide an opinion on these. They produce an Annual Audit Letter which assesses how the council manages its resources and delivers value for money.

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 governance framework has been in place at the council for the year ended 31 March 2022.

One element used to gain assurance is information gathered from Managers' Assurance Statements. These statements contain questions based on the core principles of good governance as well as other areas such as safeguarding, the Bribery Act and the Regulation of Investigatory Powers Act. These are completed by senior managers and any issues raised are considered.

Opinion of the Chief Internal Auditor

The work of the Internal Audit team was impacted by carrying a vacancy and the absence of a team member for an extended period of time at the beginning of the year. Later in the year, the restructure in the team led to a vacancy while a new position was filled. This impacted the audit plan and reduced the number of audits that could be undertaken during the year. However, it is considered that there were still a reasonable number of reviews carried out across the authority and did not significantly limit the scope of the work.

The Chief Internal Auditor is required to give an opinion of the overall adequacy and effectiveness of the control environment. The control environment is considered in three ways: the production of the Annual Governance Statement the effectiveness of Internal Audit, and the results of the work of Internal Audit.

Effectiveness of Internal Audit: A self-assessment against the Public Sector Internal Audit Standards has been carried out and shows that the work of the Internal Audit team is carried out in accordance with the standards.

The work of Internal Audit: It has been noted that a number of recommendations remain outstanding after following up reviews. Many of these are being affected by ongoing lack of resources. This appears to have been caused by the response to the Covid-19 pandemic, changes in staffing, and an inability to be able to fill vacancies in some areas.

While the governance framework is in place and working, and Internal Audit are carrying out their work in accordance with standards, the opinion on the control environment has to be caveated by the number of outstanding recommendations.

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 3 elected members from each authority.	<p>Lewes District 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%</p> <p>Eastbourne Borough Council Ownership of voting rights - More than 25% but not more than 50%</p>	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-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
				Right to surplus assets - More than 25% but not more than 50%	
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, Regulation of Investigatory Powers Act. 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. Once completed their contents are used to inform the governance statement.

Issues raised this year that were considered by the Corporate Management Team were:

Capacity: It was noted that there is a shortage of workers in the employment market that is affecting all sectors and is a national issue. Where demand has increased over Covid, these teams have been given increased resources. The employment market is also monitored with consideration given to collaboration and partnerships working to further navigate these national challenges.

Economy: In response to the financial implications of the response to the Covid pandemic, early engagement with the Department for Levelling Up, Housing and Communities, regular return of all financial information, close working of cashflow

transactions, cost controls, regular member briefings and engagements have all been put in place. Transactional changes and solutions to financial shortfalls are in place and are expected to be continued.

The Corporate Management team are therefore of the opinion that there are no significant governance issues. However, it is acknowledged that the following areas are of considerable concern:

- Longer term impact of the pandemic on the council's finances
- Longer term local government funding allocation
- Increasing demand for key services

The council maintains a strategic risk register and carries out regular reviews of its internal controls to ensure early prevention and/or mitigation of risks and governance concerns.

Statement by Head of Democratic Services

One minor governance issue is that, on occasions, there is a lack of understanding over delegated powers currently available to officers. However, the scheme of delegation and council constitutions continue to be reviewed and aligned to improve clarity, wherever possible. As Head of Democratic Services, I am not aware of any major governance issues in my area or elsewhere in the organisation.

Statement by the Monitoring Officer

Work is underway to align the schemes of delegation to officers. In addition, there is a piece of work to incorporate into the Code of Conduct for Members, the best elements of the Local Government Association's model code. This is at an early stage and may not be complete until the end of 2022/23. In the meantime, there is nothing inherently inadequate or defective with the existing code (in so far as legislation allows). Whilst the amendments planned will be improvements, the current state of affairs does not represent a significant governance issue.

Covid-19 pandemic

2020-21 was the second year of the Covid-19 pandemic. The council again faced a loss of income and cost pressures. However, financial management and the control environment provided a sound structure to mitigate risks.

UPDATE ON SIGNIFICANT GOVERNANCE ISSUES 2020/21

No significant issues were reported in 2020/21.

SIGNIFICANT GOVERNANCE ISSUES 2021/2022

There are no significant governance issues to report.

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: