

Audit and Governance Committee 1 March 2023



Working in partnership with **Eastbourne Homes**

Time and venue:

6.00 pm in the Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG

Membership:

Councillor Robin Maxted (Chair); Councillors Amanda Morris (Deputy-Chair)
Sammy Choudhury, Peter Diplock, Tony Freebody, Md. Harun Miah, Kshama Shore,
Candy Vaughan and Stephen Gilbert (Audit Independent Member)

Quorum: 2

Published: Tuesday, 21 February 2023

Agenda

1 Minutes (Pages 5 - 10)

To confirm the minutes of the last meeting of the Committee held on 23 November 2022.

2 Apologies for absence/declaration of substitute members

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

4 Questions by members of the public.

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

5 Urgent items of business.

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

6 Right to address the meeting/order of business.

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

7 External Audit - 2019/20 (Pages 11 - 14)

An update from External Auditor, Deloitte.

- 8 Treasury Management Report - Q3 2022-2023 (Pages 15 - 32)**
Report of the Chief Finance Officer.
- 9 Draft internal audit plan for 2023/24 (Pages 33 - 40)**
Report of the Chief Internal Auditor.
- 10 Internal Audit and Counter Fraud Report for the three quarters of the financial year 2022-2023 - 1 April to 31 December 2022. (Pages 41 - 66)**
Report of the Chief Internal Auditor.
- 11 Strategic Risk Register Quarterly Review (Pages 67 - 80)**
Report of the Chief Internal Auditor.
- 12 Date of the next meeting**

Information for the public

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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:

Councillors wishing to address the meeting who are not members of the committee must notify the Chairman and Democratic Services in advance (and no later than immediately prior to the start of the meeting).

Democratic Services

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Working in partnership with **Eastbourne Homes**

Audit and Governance Committee

Minutes of meeting held in Court Room at Eastbourne Town Hall, Grove Road, BN21 4UG on 23 November 2022 at 6.00 pm.

Present:

Councillor Robin Maxted (Chair).

Councillors Amanda Morris (Deputy-Chair), Sammy Choudhury, Tony Freebody, Kshama Shore, Candy Vaughan and Stephen Gilbert (Audit Independent Member).

Officers in attendance:

Lee Banner (Transformation Manager), Tony Barden (Head of IT Services), Lee Ewan (Counter Fraud Investigations Manager), Jackie Humphrey (Chief Internal Auditor), Ola Owolabi (Deputy Chief Finance Officer - Corporate Finance), Tim Whelan (Director of Service Delivery), and Elaine Roberts (Committee Officer).

Also in attendance: Ben Sherriff and Tanya Chikari, representatives for external auditor, Deloitte.

25 Minutes

The Minutes of the meeting held on 29th September 2022 were confirmed as an accurate record.

26 Apologies for absence/declaration of substitute members

Apologies were received from Councillors Miah and Diplock and from Chief Finance Officer, Homira Javadi.

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

There were none.

28 Questions by members of the public.

No questions from the public had been received.

29 Urgent items of business.

The Chair confirmed there were no urgent items.

30 Right to address the meeting/order of business.

The Chair confirmed there had been no requests to address the meeting.

31 External Audit Update

Ola Owolabi, Deputy Chief Finance Officer (DCFO) introduced the report and invited comment from Deloitte's representative, Ben Sherriff. Mr. Sherriff provided a brief summary of the draft ISA160 report, which had been submitted as a late supplement to the agenda and circulated via email to Committee Members ahead of the meeting.

The DCFO noted that, as the audit opinion was now 90% complete, the recommendation was to delegate final approval to the Chair in consultation with the Section 151 Officer the Chief Finance Officer, to help ensure the rapid conclusion of the audit.

The Committee considered the report. Key points and comments that arose from the discussion included:

- That due to the late submission of Deloitte's report, there had not been adequate time to consider a document of its size and complexity.
- Deloitte representatives confirmed that they did not expect any issues to emerge from the testing still in progress, (detailed in Appendix A, page 9), and that Deloitte's own specialists were progressing the outstanding work on the ICE transaction.
- Regarding clarification of the role of the Committee to satisfy the conclusion of the specific risk areas, as mentioned in Appendix A, page 5 of the report, Deloitte representatives apologised for an error in the report and confirmed there was no action outstanding for the Committee on this matter.
- Regarding possible concerns around the valuation process noted on page 7, Deloitte representatives confirmed that this was not an uncommon finding or cause for concern and clarified that the expectations were partly due to the auditing professions own regulations.
- Deloitte representatives and Officers clarified the difference between infrastructure assets and housing, and also provided a detailed explanation of the term 'componentised approach to infrastructure assets'.

The DCFO provided further explanation for the recommendations in the report, noting that it was not unusual, when an audit neared completion as was currently the case, to delegate power to sign off the audit to the Chair in consultation with the Section 151 Officer and would avoid delays to final completion the External Audit for 2019/20.

The Committee considered and voted on the recommendations in the report:

- To accept the Independent Auditor's (Deloitte) report to those charged

with governance on EBC Accounts, and the Value for Money conclusion report

- To delegate authority to the Chair in consultation with the Chief Finance Officer to sign-off the audited EBC 2019/20 Statement of Accounts.
- To authorise the Chief Finance Officer to sign the formal Letter of Representation to Deloitte.

The Committee voted against these recommendations by 0 votes to 4 with 2 abstentions.

A proposal was put forward instead for the Deputy Chief Finance Officer to liaise weekly with Deloitte advise the Chair when the accounts had been completed and could be brought back to the Committee. This was put to a vote and agreed.

RESOLVED (unanimously)

That the Deputy Chief Finance Officer liaise weekly with Deloitte and advise the Chair when the Statement of Accounts had been completed and was ready to be considered by the Committee as a whole.

32 Annual Report on Covert Surveillance Management

Lee Ewan, Counter Fraud Investigations Manager and RIPA Monitoring Officer (RMO), presented the report to the Committee, which provided the annual overview of the Council's use of covert surveillance powers in 21/22 and reported on the recent external inspection from the IPCO (Investigatory Powers Commissioner's Office).

Points highlighted during the presentation included:

- That the external report had found no issues of non-compliance and that the two minor matters of non-compliance identified by the previous inspection of 2019 had been resolved.
- Covert Human Intelligence Source (CHIS) training and other associated courses had ensured continuing capability and had merited praise from the inspection.
- Following IPCO recommendations, minor amendments had been made to the existing policies - the Covert Surveillance and CHIS Policy and Acquisition of Communications Data Policy – and were presented as part of the report, for Audit and Governance Committee approval.

The Chair thanked the RMO for the presentation and members considered the report.

The RMO confirmed difficulties of dealing with the court system due to four years of backlog compounded by poor communication of changes in Sussex and Surrey courts. However, the situation was improving, and more timely Court responses were expected to follow.

Members congratulated the RMO on a successful IPCO inspection and thanked the Team for all its hard work.

RESOLVED (unanimously)

- (1) To note the covert surveillance summary for September 2021 to September 2022;
- (2) To note the findings of the Investigatory Powers Commissioner's Office Inspection conducted in June 2022;
- (3) To approve the updated Covert Surveillance and CHIS Policy; and
- (4) To approve the updated Policy on Acquisition of Communications Data.

33 Treasury Management - Q2 2022-2023

Ola Owolabi, Deputy Chief Finance Officer (DCFO) presented the report, which outlined the activities and performance of the Treasury Management service during the period July to September 2022.

During the presentation, the DCFO highlighted key statistics and the changing nature of the economic environment and, further to completion of the annual Treasury Management Training for Councillors, invited members to approach Officers for any additional training needs.

The Committee considered the report. During the following discussions, Officers confirmed that additional information and explanations regarding capital programme monitoring were reported to Council via quarterly performance reporting /monitoring papers to Cabinet and Scrutiny committees. The DCFO agreed to consider including more explanation information in the reports to the Audit and Governance Committee as appropriate.

RESOLVED (unanimous)

To note the report of the Chief Finance Officer and the assurances contained within and agreed that the Treasury Management Activities for the period had been in accordance with the approved Treasury Strategies.

34 Internal Audit and Counter Fraud Quarterly Report

Jackie Humphrey, Chief Internal Auditor (CIA), presented the report, which provided a summary of the activities of Internal Audit and Counter Fraud for the first half of the financial year, from April to September 2022.

During the presentation, the CIA noted that the Audit Team was required to produce a number of Annual reports at this time of year, and referred the Committee to Appendix A, which illustrated the work actioned during the period up to September 2022.

The CIA gave a verbal update of more recent activity across key topic areas, including business continuity, arrears collection, member allowances, and officer expenses and drew the Members' attention to Section 3 of the report and a specific sub-headed update on the Stage Door, which had been included in direct response to the Committee's request for further information on this

topic.

The Chair thanked the CIA and invited comments and questions from Members.

In response to a request for an update on items listed as 'partial' in Appendix B, the CIA confirmed that that information would form part of the next quarterly Internal Audit Activity report. The CIA explained the relationship between information contained in Appendices B and C and noted that Appendix C contained monitoring information regarding any recommendations still outstanding after the first follow up.

Regarding the long-term listing of outstanding recommendations under Procurement, the CIA gave a brief update on Procurement's progress to address the recommendations, noting that none were of major concern, and confirmed that the Internal Audit Team had scheduled its next formal follow up for January 2023.

The CIA reported that the Committee's request that cases where recommendations were not addressed in the long-term should be recognised in some way had been taken to CMT. CMT had agreed that, while the risk level of something not being done could not change, long-term non-compliance could now result in a reduction of the overall assurance level of the review. This change to risk evaluation was being communicated to departments before being implemented.

RESOLVED (unanimous)

To note the update on the work of Internal Audit and Counter-Fraud.

35 IT and Communications Risks report

The Chair introduced the next report, which had been compiled by Chief Internal Auditor, Jackie Humphrey, and welcomed and thanked those Officers who had contributed to the report and were attending to support the Committee's considerations: Tim Whelan, Director of Service Delivery, in attendance at the Town Hall, and Tony Baden, Head of IT and Lee Banner, Transformation Manager, who joined the meeting remotely via Teams.

The meeting paused for a comfort break (approximately 3 minutes) and to allow those Officers connecting remotely to join the meeting.

On recommencement of the meeting, the Chair reminded the Committee that the report included an exempt appendix which could not be discussed in public session.

The Committee resolved (unanimously)

To move into private session so that it could consider the report in its entirety as the appendix to the report contained exempt information as set out on the agenda item 12.

36 Exclusion of public

The Committee resolved to enter into a private session for items 11 and 12, IT and Communications Risk Report and Appendix A, as discussion was likely to disclose exempt information as defined in Schedule 12A of the Local Government Act 1972 Exempt. Information reason 7 - Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime.

37 IT and Communications Risks Report including Exempt Appendix A

The IT and Communications Risk Report and Exempt Appendix A were dealt with together under an exempt session.

Jackie Humphrey, Chief Internal Auditor, presented the report, which detailed Officer responses to a number of questions raised by the Committee around certain risks within the Strategic Risk Register, specifically around:

- SR_007 – Impact of an event under the Civil Contingencies Act
- SR_010 – Data Protection
- SR_006 – Impact of a cyber attack on the ability to deliver services and the risk to personal data

The Committee thanked Officers and considered the report and asked questions to the Officers present.

RESOLVED (unanimously)

1. To note the report.
2. To request a follow up report from the Head of IT with the results of a test exercise using an online toolkit from the National Cyber Security Centre, once completed.

To request that Officers seek assurance that relevant sections of the Council are considering and applying the information and general guidance available on the National Cyber Security Centre, as appropriate

38 Date of next meeting

The next meeting was confirmed for Wednesday 18th January at 6pm in the Town Hall, Eastbourne.

The meeting ended at 8.03 pm

Councillor Robin Maxted (Chair)



Eastbourne Borough Council
Update to the Audit & Governance Committee on audit status

Issued for the meeting on 1 March 2023

Deloitte Confidential: Government and Public Services

Status update on the 2019/20 audit

Status update on the 2019/20 audit

Our work on the 2019/20 audit is substantially complete. We will update you orally in the meeting if any matters remain outstanding.

We reported to the November Audit & Governance Committee on our ISA 260 findings from our audit, which was at an advanced stage.

We have continued to work with the finance team to finalise the audit, with staff allocated through to April 2023 to progress the 2020 and then 2021 audits, and staffing from July for subsequent audits.

No additional unadjusted misstatements have been identified.

The audit team has held on-going discussions in the form of weekly meetings and update meetings to resolve any matters impacting the audit.

The table below summarises the status of the matters that had been outstanding in our report.

Area	Status
Review of the updated statement of accounts which reflects the agreed adjustments from issues noted during the audit, including arithmetic checks and tie through of amounts reflected on the updated statement of accounts.	We have reviewed the updated accounts. We have fed back to the Council a number of items to correct (e.g. arithmetic errors/consistency) in the final version of the statement of accounts, and have received an updated version of the financial statements.
Completion of work on ICE financial instrument valuations (dependent on receipt of support for fair values), and equity accounting (dependent on receipt of evidence for underlying property valuation in IIL).	We have received support for the IIL property valuation as at 31 March 2020, and reviewed with support of our property valuation specialist. We have received support for the fair values used, and considered the appropriateness of the assumptions used with support of our financial instrument specialist. Due to the state of markets at 31 March 2020, there is a greater judgement in the inputs used, including discount rates, than in 2018/19, and this is likely to be the case for future periods also. Our work in this area is subject to completion of quality assurance reviews.
Infrastructure assets – review of management’s assessment of asset lives and changes for the code changes.	Following the issue of a Statutory Instrument on Infrastructure on 25 December 2022, and the accompanying January 2023 CIPFA guidance, the Council has taken the statutory override and updated the disclosures in the financial statements meaning that only the net book value of infrastructure assets is disclosed. We agree this approach is appropriate, and have no issues to raise from our review of asset lives.
Completion of working through support received for sundry open areas of testing and any follow-up queries arising.	We have received support for the areas of testing outstanding.
Completion of quality assurance review procedures, including on the updated statement of accounts.	Following the completion of the above areas, we are completing the final quality assurance reviews.
Receipt of signed management representation letter, and update of our review of subsequent events through to signing.	These final procedures follow completion of above areas.

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Agenda Item 8

Report to:	Audit and Governance Committee
Date:	1 March 2023
Title:	Treasury Management – Q3 2022/23
Report of:	Homira Javadi, Chief Finance Officer
Ward(s):	All
Purpose of report:	To report on the activities and performance of the Treasury Management service during October to December 2022/23
Decision type:	Budget and Policy Framework
Officer recommendation:	The Committee is recommended to note the report of the Chief Finance Officer and the assurances contained within and agree that Treasury Management Activities for the period 1 October to 31 December 2022, have been in accordance with the approved Treasury Strategies.
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:	Name: Ross Sutton Post title: Head of Financial Reporting E-mail: ross.sutton@lewes-eastbourne.gov.uk Telephone number: 01323 415449

1. Introduction

- 1.1. This Council's approved Treasury Strategy Statement requires the Audit and Governance Committee to review details of Treasury Strategy transactions against the criteria set out in the Strategy and make observations to Cabinet as appropriate.
- 1.2. The Treasury Strategy Statement also requires the Audit and Governance Committee to receive and review a quarterly formal summary report detailing the recent Treasury Management activities, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy.
- 1.3. In addition, Treasury Management updates are included in the quarterly performance management reports, considered by both the Cabinet and Scrutiny Committee. The regulatory environment places a much greater

responsibility on Members for the review and scrutiny of treasury management policy and activities.

- 1.4. This Council also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit and Governance Committee.
- 1.5. 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.

Annual Treasury Management training

- 1.6. In line with the requirements to ensure appropriate training for Councillors, a training session on the Treasury Management activities was delivered on Monday 24th October 2022, via Teams by the Council's treasury management advisors – Link Asset Services.

2. Annual Investment Strategy

- 2.1. The Treasury Management Strategy Statement (TMSS) for 2022/23 which includes the Annual Investment Strategy, was approved by the Full Council on Wednesday, 9 February 2022. It sets out the Council's investment priorities as being:
 - Security (of capital);
 - Liquidity;
 - Yield.

Approved limits within the Annual Investment Strategy were not breached during the period ending 31 December 2022, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 2 days (11 days Q2) during the period.

3. Treasury Position as at 31 December 2022

- 3.1. The Council's debt and investment position is managed by treasury staff within Financial Services in order to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities.

3.2. Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held between 1 October to 31 December 2022 and identifies the long-term credit rating of counterparties at the date of investment. It is important to note that credit ratings are only one of the criteria that are taken into account when determining whether a potential counterparty is suitable. All the deposits met the necessary criteria the

minimum rating required for deposits made in terms of long-term 'A' (Fitch) rating.

Counterparty	Date From	Date To	Days	Principal £'000	Int. Rate %	Long-term rating
DMO	07/12/2022	03/01/2023	27	2,200,000	3.03	*
DMO	20/12/2022	03/01/2023	14	2,000,000	3.13	*
DMO	30/12/2022	03/01/2023	4	4,700,000	3.28	*

* UK Government body and therefore not subject to credit rating

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

The table below shows the fixed term deposits which have matured between 1 October to 31 December 2022, in maturity date order. It is important to note that the table includes sums re-invested.

Counterparty	Date From	Date To	Days	Principal £'000	Int. Rate %	Long-term rating
DMO	03/10/2022	18/10/2022	15	3,000,000	1.95	*
DMO	07/10/2022	18/10/2022	11	3,500,000	1.95	*
DMO	01/11/2022	22/11/2022	21	4,500,000	2.46	*
DMO	07/11/2022	21/11/2022	14	2,500,000	2.65	*
DMO	30/11/2022	20/12/2022	20	9,000,000	2.88	*
DMO	05/12/2022	19/12/2022	14	2,000,000	2.94	*
DMO	15/12/2022	19/12/2022	4	3,000,000	3.20	*

* UK Government body and therefore not subject to credit rating

3.4. Use of Deposit Accounts

In addition to the fixed term deposits, the Council has made use of the following interest-bearing accounts in the period covered by this report, with the average amount held being £2.37m (£2.56m Q2) generating interest of approximately £13,900 (£7,200 Q2).

	Balance at 31 Dec 2022 £'000	Average balance £'000	Interest rate %
Lloyds Current Account	629	1,592	0.01
Lloyds Call Account	10	1,761	0.40
Santander Reserve Account	5,000	3,769	1.36

4. TM Borrowing – Q3 2022/23

4.1. In taking borrowing decision, the Council carefully considered achieving best value, the risk of having to borrow at higher rates at a later date, the carrying cost of the difference between interest paid on such debt and interest received from investing funds which would be surplus until used, and that the Council could ensure the security of such funds placed on temporary investment.

- **Rescheduling** – no debt rescheduling was carried out during the quarter as there was no financial benefit to the Council.
- **Repayment** – none between 1 October and 31 December 2022

4.2. **Borrowing** – The Council has not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed. No new loans were drawn down from PWLB (Public Works Loan Board) during the quarter to fund the net unfinanced capital expenditure and/or to replace maturing loans. Various temporary loans were taken to cover cash flow requirements. All loans drawn were for fixed rate as detailed within the table below.

Lender – Temporary Debt	£m	Start Date	End Date	Rate
Loans held:				%
West Midlands Combined Authority	10,000	21/01/2022	20/01/2023	0.25
Hyndburn BC	2,000	28/02/2022	27/02/2023	0.70
Northern Ireland Housing Executive	10,000	20/06/2022	19/06/2023	1.20
West Midlands Combined Authority	5,000	23/05/2022	09/05/2023	1.20
West Midlands Combined Authority	10,000	25/07/2022	27/06/2023	1.80
Tendring DC	5,000	01/11/2022	01/08/2023	3.90
Northern Ireland Housing Executive	10,000	29/11/2022	28/04/2023	4.00
Loans repaid:				
Solihull MBC	5,000	20/09/2022	20/12/2022	2.35

5. Interest Rate Forecast

5.1. The Council has appointed Link Group as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities since 1st November 2012.

- 5.2. The latest forecast, made on 19th December, sets out a view that both short and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy, whilst the government is also providing a limited package of fiscal loosening to try and protect households and businesses from the ravages of ultra-high wholesale gas and electricity prices. PWLB rates reflect a less elevated yield curve than prevailed under the Truss/Kwarteng government, and the 17th of November Autumn Statement made clear the government's priority is the establishment and maintenance of fiscal rectitude. In addition, the MPC has tightened short-term interest rates with a view to trying to slow the economy sufficiently to keep the secondary effects of inflation – as measured by wage rises – under control.
- 5.3. Links current and previous PWLB rate forecasts below are based on the Certainty Rate (the standard rate minus 20 bps) which has been accessible to most authorities.

Link Group Interest Rate View		19.12.22												
		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE		3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings		3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings		4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings		4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB		4.20	4.20	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB		4.30	4.40	4.40	4.30	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.30
25 yr PWLB		4.60	4.60	4.60	4.50	4.40	4.20	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB		4.30	4.30	4.30	4.20	4.10	3.90	3.80	3.70	3.60	3.50	3.30	3.20	3.20

Link Group Interest Rate View		08.11.22												
		Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
BANK RATE		3.50	4.25	4.50	4.50	4.50	4.00	3.75	3.50	3.25	3.00	2.75	2.50	2.50
3 month ave earnings		3.60	4.30	4.50	4.50	4.50	4.00	3.80	3.30	3.00	3.00	2.80	2.50	2.50
6 month ave earnings		4.20	4.50	4.60	4.50	4.20	4.10	3.90	3.40	3.10	3.00	2.90	2.60	2.60
12 month ave earnings		4.70	4.70	4.70	4.50	4.30	4.20	4.00	3.50	3.20	3.10	3.00	2.70	2.70
5 yr PWLB		4.30	4.30	4.20	4.10	4.00	3.90	3.80	3.60	3.50	3.40	3.30	3.20	3.10
10 yr PWLB		4.50	4.50	4.40	4.30	4.20	4.00	3.90	3.70	3.60	3.50	3.40	3.30	3.20
25 yr PWLB		4.70	4.70	4.60	4.50	4.40	4.30	4.10	4.00	3.90	3.70	3.60	3.50	3.50
50 yr PWLB		4.30	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.40	3.30	3.20	3.20

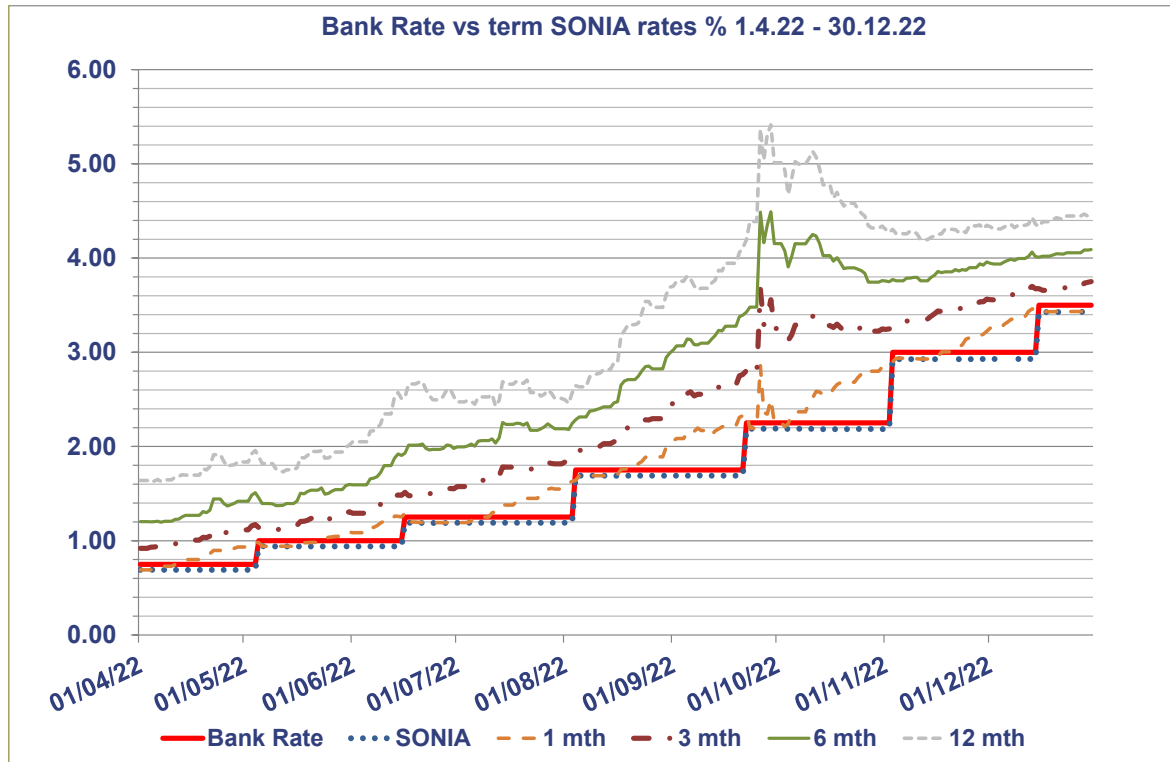
- LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous forecasts, Link money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- Links forecasts for average earnings are averages i.e., rates offered by individual banks may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

A SUMMARY OVERVIEW OF THE FUTURE PATH OF BANK RATE

- 5.4. Our central forecast for interest rates was most recently updated on 19th December and reflected a view that the MPC would be keen to further demonstrate its anti-inflation credentials by delivering a succession of rate increases. This has happened but the Government's policy of emphasising fiscal rectitude will probably mean Bank Rate will not need to increase to further than 4.5%.
- 5.5. Further down the road, we anticipate the Bank of England will be keen to loosen monetary policy when the worst of the inflationary pressures are behind us – but that timing will be one of fine judgment: cut too soon, and inflationary pressures may well build up further; cut too late and any downturn or recession may be prolonged.
- 5.6. The CPI measure of inflation looks to have peaked at 11.1% in Q4 2022 (currently 10.7%). Despite the cost-of-living squeeze that is still taking shape, the Bank will want to see evidence that wages are not spiralling upwards in what is evidently a very tight labour market.
- 5.7. Regarding the plan to sell £10bn of gilts back into the market each quarter (Quantitative Tightening), this has started and will focus on the short, medium and longer end of the curve in equal measure.
- 5.8. In the upcoming months, our forecasts will be guided not only by economic data releases and clarifications from the MPC over its monetary policies and the Government over its fiscal policies, but the on-going conflict between Russia and Ukraine. (More recently, the heightened tensions between China/Taiwan/US also have the potential to have a wider and negative economic impact).
- 5.9. On the positive side, consumers are still estimated to be sitting on over £160bn of excess savings left over from the pandemic so that will cushion some of the impact of the above challenges. However, most of those are held by more affluent people whereas lower income families already spend nearly all their income on essentials such as food, energy and rent/mortgage payments.

PWLB rates - year to date - 31 December 2022

- 5.10. The yield curve movements have become less volatile of late and PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.10% to 4.80%. The markets are viewed as having built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.



Financial Year to Quarter Ended 31/12/22

	Bank Rate	SONIA	1 mth	3 mth	6 mth	12 mth
High	3.50	3.43	3.46	3.75	4.49	5.41
High Date	15/12/2022	28/12/2022	15/12/2022	30/12/2022	29/09/2022	29/09/2022
Low	0.75	0.69	0.69	0.92	1.20	1.62
Low Date	01/04/2022	28/04/2022	01/04/2022	01/04/2022	07/04/2022	04/04/2022
Average	1.79	1.73	1.92	2.28	2.73	3.23
Spread	2.75	2.74	2.77	2.83	3.29	3.79

6. Compliance with Treasury and Prudential Limits

- 6.1. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. The Council's approved Treasury and Prudential Indicators (affordability limits) are included in the approved TMSS. As at 31 December 2022, the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

Treasury Prudential Indicators	Note	2022/23 Estimate Indicator	2022/23 Projected Outturn	RAG Status
Authorised limit for external debt (Capital Strategy (CS) 4.2.4)		£223m	£223m	GREEN
Operational boundary for external debt (CS 4.2.4)		£202m	£202m	GREEN
Gross external debt (CS 4.2.2)	1	£185m	£167m	GREEN
Capital Financing Requirement (CS 2.3.4)	1	£202m	£191m	GREEN
Debt vs CFR (Capital Financing Requirement) under / (over) borrowing	1	£17m	£24m	GREEN
Investment balances (average) – call accounts		£3.0m	£5.6m	GREEN
Investment return (average) – term deposits		0.25%	2.02%	GREEN
Upper limit for principal sums invested for longer than 365 days		£2m	£2m	GREEN
<i>Maturity structure of fixed rate borrowing - upper limits:</i>				
Under 12 months		25%	25%	GREEN
12 months to 2 years		40%	40%	GREEN
2 years to 5 years		50%	50%	GREEN
5 years to 10 years		75%	75%	GREEN
10 years and above		100%	100%	GREEN
Revised Capital expenditure (CS 2.1.3)				
General Fund	2	£9.2m	£8.7m	GREEN
HRA (Housing Revenue Account)	2	£16.5m	£14.5m	GREEN
Regeneration (Levelling Up Fund)	2	£4.1m	£4.1m	GREEN
Commercial Activities/ non- financial investments	2	£3.1m	£2.1m	GREEN
<i>Ratio of financing costs to net revenue stream (CS 8.1.1):</i>				
Proportion of Financing Costs to Net Revenue Stream (General Fund)		13.4%	12.9%	GREEN
Proportion of Financing Costs to Net Revenue Stream (HRA)		10.7%	10.9%	GREEN

Note 1 - the under-borrowing level has increased by £7m due to lower external debt and a reduction in the Capital Financing Requirement (CFR) as capital expenditure has been re-profiled to 2023/24. Due to higher current PWLB borrowing rates, external borrowing has been deferred in preference of maximising the use of internal resources.

Note 2 - capital expenditure has been re-profiled to 2023/24 but remains within overall budget allocations and therefore a green status applies.

7. Non-Treasury Investments

- 7.1. The non-treasury investment activity includes the Council provision of a financial guarantee through its subsidiary company.

Investment Company Eastbourne Limited

- 7.2. Investment Company Eastbourne Limited (ICE) is a wholly owned subsidiary of the Council. ICE has entered into a contractual arrangement with a private limited company, Infrastructure Investments Leicester Limited (IIL), in respect of an investment property. ICE is acting as the principal guarantor for an external loan provided to IIL and also providing a rental guarantee.

ICE (subsidiary) and IIL (joint venture) are consolidated in the Group financial statements of Eastbourne Borough Council. Joint control is exercised by virtue of a Development and Management Agreement (DAMA). In return for providing the guarantees, ICE receives a £0.3m pa (indexed) guarantee fee.

The ICE Board of Directors met on 5th December 2022 and reviewed key financial monitoring (including the guarantee fees payment schedule) in line with the agreed governance arrangements/agreement (DAMA).

8. Economic Background

- 8.1. The Bank of England's Monetary Policy Committee increased the Bank Rate by 0.75% to 3.0% on 3 November 2022 and by a further 0.5% to 3.5% on 15 December 2022. A detailed economic commentary on developments during period ended 31 December 2022 is attached as **Appendix A**.

9. Financial Appraisal

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

10. Legal Implications

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

11. Risk management implications

- 11.1. 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.

12. Equality analysis

- 12.1. Equality issues are considered.

13. Environmental sustainability implications

- 13.1. This report notes the treasury management performance of the Council. There are no anticipated environmental implications from this report that would affect the Council's sustainability policy. The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the treasury activities and highlights compliance with the Council's policies previously approved by members.

14. Appendices

- 14.1. Appendix A - Detailed Economic Commentary
Appendix B - Glossary: Treasury Management Terms

15. Background Papers

- 15.1. [Treasury Management Strategy Statements 2022/23.](#)

Link Treasury Services Limited - Detailed economic commentary on developments during quarter ended 31st December 2022

Economic Update

- The third quarter of 2022/23 saw:
 - A 0.5% m/m rise in GDP in October, mostly driven by the reversal of bank holiday effects;
 - Signs of economic activity losing momentum as households increased their savings;
 - CPI inflation fall to 10.7% in November after peaking at 11.1% in October;
 - A small loosening in the labour market which pushed the unemployment rate up to 3.7% in October;
 - Interest rates rise by 125bps over Q4 2022, taking Bank Rate to 3.50%;
 - Reduced volatility in UK financial markets but a waning in global risk appetite.
- GDP fell by 0.3% q/q in Q3 2022 (ending 30th September), which probably marked the start of the UK recession. About half of that decline was the effects of the extra bank holiday in September for the Queen's funeral. The unwinding of those bank holiday effects meant that GDP rebounded in October and explained at least 0.3 percentage points (ppts) of the 0.5% m/m rise. Accordingly, if GDP were to avoid falls of more than 0.2% m/m in November and December, then GDP over Q4 as a whole could avoid a contraction, which would prevent a recession in 2022.
- However, at 49.0 in December, the flash composite activity PMI stayed below the "boom-bust" level of 50 and pointed to a small 0.1% q/q contraction in GDP in Q4. Consumer confidence was -42 in December and stayed close to its record low of -49 in September. Strike action could be another small drag and may mean that GDP is 0.0% to 0.5% lower than otherwise in December. GDP is projected to contract marginally in Q4 by around 0.1% q/q.
- Meanwhile, the 0.4% m/m fall in retail sales volumes in November only reversed some of the 0.9% m/m rise in October. That left sales volumes 4.5% below their level at the start of the year. Indeed, the rise in the household saving rate from 6.7% in Q2 to 9.0% in Q3 implied that higher interest rates are encouraging households to save more. And a larger-than-usual £6.2bn rise in cash in household bank accounts in October may imply households have started to increase their precautionary savings.
- There were signs that the labour market was loosening gradually going into the final quarter of 2022. Although employment in the three months to October rose by 27,000, the fall in the composite PMI employment balance in December took it into contractionary territory and suggests that labour demand will cool. Meanwhile, labour supply improved as inactivity fell by 76,000 in the three months to October. That helped drive a rise in the unemployment rate from 3.6% in September to 3.7% in October. The number of job vacancies in November fell for the sixth consecutive month and were 18% below their peak in May.

- Crucially, though, wage growth remained resilient. Average earnings growth, excluding bonuses, grew by 0.7% m/m in October, above the 2022 monthly average of 0.5% m/m. That drove the 3myy rate up to 6.2%, well above the rates of 3-3.5% consistent with inflation at its 2% target. Wage growth is likely to slow gradually in the coming months as the labour market loosens further but if extensive strike action is successful in achieving large pay increases, then wage growth could be a bit stronger for longer.
- CPI inflation peaked in October at a 41-year high of 11.1% and fell to 10.7% in November. Goods price inflation, which is driven largely by global factors, has peaked. The sharp rises in energy prices in 2022 mean that energy price inflation will fall sharply in 2023. Meanwhile, the large fall in agricultural prices since May means that food price inflation should start to decline soon. What's more, upward pressure on goods price inflation from global supply shortages is fading quickly.
- Domestic inflation pressures also eased in Q4. The 0.2% m/m rise in core CPI inflation in November was the smallest monthly gain since August 2020 and drove a fall in core CPI inflation from 6.5% in October to 6.3% in November. Services CPI inflation was stable at 6.3% in November despite the resilience of wage growth. And the easing of price expectations in the Bank of England's Decision Maker Panel survey in November suggests that inflation may become less persistent.
- The Chancellor's Autumn Statement on 17th November succeeded in restoring the government's fiscal credibility in the eyes of the financial markets without deepening the recession. The total fiscal consolidation package of £54.9bn (1.8% of GDP) in 2027/28 made the outlook for fiscal policy much tighter than at the beginning of Q4. The package was heavily backloaded, with net handouts of £3.8bn (0.15% of GDP) in 2023/24 and £0.3bn (0.01% of GDP) in 2024/25, and most of the tightening kicking in after 2024/25. The largest fiscal support was the extension of the Energy Price Guarantee for another 12 months, until April 2024, although at a higher price cap of £3,000 from April 2023 rather than £2,500. At the same time, Chancellor Hunt loosened the fiscal rules by requiring debt as a percentage of GDP to be falling in five years' time, rather than three. The Office of Budget Responsibility (OBR) estimated that the Chancellor will meet this new rule with a slim £9.2bn (0.3% of GDP) to spare.
- With fiscal policy now doing much less to fan domestic inflation pressures, we think Bank Rate will peak at 4.50%, or at least close to that figure. Despite stepping up the pace of policy tightening to a 75-basis point (bps) rate hike in November, taking Bank Rate from 2.25% to 3.00%, the MPC's communication was dovish. The MPC pushed back heavily against market rate expectations, which at the time were for Bank Rate to peak at 5.25%. The Bank's new forecasts predicted a deeper and longer recession than the analyst consensus, of eight quarters and with a peak-to-trough fall in real GDP of 2.9%.
- The Bank sounded dovish again in December when it slowed the pace of tightening with a 50bps rate rise, from 3.00% to 3.50%. Two members, Dhingra and Tenreyro, voted to leave rates unchanged, judging that the current level of Bank Rate was sufficient to bring inflation back to target. That said, the rest of the MPC appeared to suggest that further rate hikes would be necessary. We expect that the majority of the MPC will need to see stronger signs that activity is slowing, the labour market is loosening, and wage growth is slowing before stopping rate rises.

As such, we expect that the MPC will deliver three further rate hikes in February, March and May, taking Bank Rate to a peak of 4.50% but with the pace of increase reducing to 25bps in March and May.

- Gilt yields have fallen sharply since their highs following the “mini-budget” on 23rd September as government fiscal credibility has been largely restored with the resignation of Truss-Kwarteng and the fiscal consolidation package announced at the Autumn Statement on 17th November. Indeed, the 10-year yield fell from a peak of 4.55% to about 3.60% now, while the 30-year yield fell from 5.10% to 3.90%. Admittedly, yields rose by around 50bps in December, partially on the back of a global rise in yields. But if we are right in thinking Bank Rate will fall back in 2024 and 2025 then gilt yields will probably fall over the next two years, with the 10-year yield slipping from around 3.60% now to 3.30% by the end of 2023 and to 2.80% by the end of 2024.
- Lower volatility in gilt markets in Q4 meant that the Bank of England was able to stop its purchases of long-term gilts for financial stability reasons as planned on 14th October. It was also able to begin active gilt sales in November, albeit with a focus on shorter dated gilts. So far quantitative tightening has had little influence on short-term money markets. But as it is still an experiment, the risk of a widespread tightening in financial conditions remains.
- The restoration of fiscal credibility boosted the pound and the FTSE 100 early in Q4. While much of the benefit passed in the first half of Q4, sterling continued to rally against a softer dollar. Our colleagues at Capital Economics do not think that the global recession is fully priced into markets, and so expect a further fall in risk appetite to boost safe haven demand for the dollar and weigh on the pound. They are expecting the pound to fall from \$1.19 now to \$1.10 in mid-2023, before climbing to \$1.15 by the end of 2023 as the prospect of lower interest rates and a recovery in global economic growth buoys equity prices.
- Through December, the rally in the FTSE 100 petered out as investors have become increasingly concerned by the prospect of a global recession. However, the relatively dovish tone of the Bank of England, compared to the Federal Reserve and the ECB meant that UK equities held up better than other developed market indices. Indeed, at 7,452 at the December month end, the FTSE 100 is only marginally below its peak of 7,568 on 5th December, while the S&P 500 is around 4% lower over the same period. Nevertheless, there is a great deal of uncertainty as to which direction markets will move in 2023 and at what pace. Continued volatility is anticipated.

MPC meetings 3rd November and 15th December 2022

- On 3rd November, the Bank of England’s Monetary Policy Committee (MPC) increased Bank Rate by 75 basis points to 3.00%, and on 15th December moved rates up a further 50 basis points to 3.50%. The later increase reflected a split vote – six members voting for a 50 basis points increase, one for 75 basis points and two for none.

- Nonetheless, the UK government appears more settled now, with Rishi Sunak as Prime Minister, and Jeremy Hunt as Chancellor. Having said that, a multitude of strikes across several public services and the continued cost-of-living squeeze is going to make for a difficult backdrop to maintain fiscal rectitude without pushing the economy into anything worse than a mild recession.
- Of course, what happens outside of the UK is also critical to movement in gilt yields. The US FOMC has led with increases of 425 basis points in 2022 and is expected to increase rates further in 2023. Similarly, the ECB has also started to tighten monetary policy, albeit from an ultra-low starting point, as have all the major central banks apart from Japan (although the BoJ has “tightened” its policy by widening the accepted yield levels for 10yr JGBs, from 0.25% to 0.5% on 20th December). Arguably, though, it is US monetary policies that are having the greatest impact on global bond markets.
- What happens in Ukraine will also impact the global economy, but particularly in Europe. The search for alternative providers of energy, other than Russia, will take both time and effort. The weather will also play a large part in how high energy prices stay and for how long.

GLOSSARY

Treasury Management Terms

Terms	Descriptions
A (Fitch) Rating	<p>Fitch Ratings publishes credit ratings that are forward-looking opinions on the relative ability of an entity or obligation to meet financial commitments.</p> <p><i>A: High credit quality.</i> 'A' rating denotes expectations of low default risk. The capacity for payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to adverse business or economic conditions than is the case for higher ratings.</p>
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	<p>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.</p> <p>The CFR increases with capital expenditure and decreases with capital finance and MRP.</p>
Capital gain or loss	An increase or decrease in the capital value of an investment, for example through movements in its market price.
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is a UK-based international accountancy membership and standard-setting body. The only such body globally dedicated to public financial management.
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.

Terms	Descriptions
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 and Local Government - MHCLG</i>).
DMO	Debt Management Office – an executive agency of HM Treasury that deals with central government's debt and investments.
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.

Terms	Descriptions
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. Phased out in 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
MPC	The Monetary Policy Committee (MPC) decides what monetary policy action the Bank of England will take to keep inflation low and stable.
OBR	The Office for Budget Responsibility was created to provide independent and authoritative analysis of the UK's public finances. It is one of a growing number of official independent fiscal watchdogs around the world.
PMI	Purchasing Managers' Index (PMI) - A composite PMI is the weighted average of manufacturing and service sector PMIs for a given geography or economy, produced by IHS Markit. Weights are derived from official data relating to each sector's contribution to GDP (value added).
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.

Terms	Descriptions
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.
S & P 500	The S&P 500 (also known as the Standard & Poor's 500) is a registered trademark of the joint venture S&P Dow Jones Indices. It is a stock index that consists of the 500 largest companies in the U.S. and is generally considered the best indicator of how U.S. stocks are performing overall.
SME	SME finance is the funding of small and medium-sized enterprises and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and costed or priced.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
Short-dated	Usually means less than one year
TMSS	Approved Council's Treasury Management Strategy Statement
Total return	The overall return on an investment, including interest, dividends, rent, fees and capital gains and losses.

Report to:	AUDIT AND GOVERNANCE COMMITTEE
Date:	1st MARCH 2023
Title:	Draft internal audit plan for 2023/24
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To propose an internal audit plan for 2023/24
Officer recommendation(s):	To consider and agree the proposed plan.
Reasons for recommendations:	The remit of the Audit and Governance 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 or internally on extension 5925.

1.0 Introduction

1.1 The internal audit function contributes to the council's overall governance arrangements through the audits carried out in the annual internal audit plan.

1.2 The draft audit plan is taken to both the Corporate Management Team and the Audit and Governance Committee for consideration and approval.

2.0 Approach to setting the plan.

2.1 As has been the practice since 2020-21, an indicative audit plan has been produced. This practice was brought in to allow a more flexible approach to auditing. The plan appended to this report is the work that Internal Audit carry out if no other work is requested. Over recent years, senior managers have become more willing to approach Internal Audit to request reviews in their areas, where they may have concerns.

2.2 It is important that Internal Audit add value to the council and ensure that any emerging areas of concern are considered. The work of the team must add value and be flexible whilst still ensuring that there is an adequate breadth of cover to the work that is carried out.

2.3 In order to ensure adequate coverage, the total number of areas that can be audited has been divided into the departments under which they sit. The

number of areas by department have then been calculated as a percentage of the total number of areas. The table below shows the number of areas listed in the universe for each department which has then been calculated as a percentage of the total.

Department	No of areas	% of total
Regeneration	11	7%
Tourism and Enterprise	18	12%
Service Delivery	58	39%
Corporate Services	63	42%
TOTAL	150	100%

These percentages have then been used to inform the contents of the plan and this is explained in more detail below.

3.0 The Audit Universe

3.1 The Audit Universe is the list of all areas across the councils which can be reviewed; this includes areas across both Eastbourne Borough and Lewes District Councils so that a full joint audit plan can be produced. Whilst many services are now delivered jointly, there are still some which are relevant to only one council and these are identified as such where appropriate.

4.0 Production of the draft audit plan for 2023/24.

4.1 The internal audit plan for each year begins by calculating the number of audit days available. This takes the number of work days of each member of staff less non-chargeable time (e.g. annual leave, public holidays, sick leave, training, admin. etc.). From the remaining days, 36 are allocated for audits for Eastbourne Homes and 5 for South East Environmental Services Ltd – both of which are paid for by the companies.

4.2 There are twelve “managed” audits which have to be undertaken every year as these cover our main financial systems and their controls. The time taken for these days is also taken off the remaining number.

4.3 The Audit Manager is undertaking a Leadership apprenticeship This has reduced the audit time available while undertaking the training. There is also time set aside for another Auditor to undertake some professional training.

4.4 The team has been carrying a vacancy since the end of October. A recruitment exercise took place before Christmas but it was felt that none of the applicants were suitable. There is a further recruitment exercise is taking place. It is generally acknowledged that there is an issue with the employment market and it is increasingly difficult to fill vacancies. If it is not possible to fill this post then there will be a reconsideration of the training being considered for the Auditor as noted in 4.3 above. In addition, this year, the Chief Internal Auditor will carry out the Eastbourne Homes Audits to allow a further 36 days to go into the Audit Plan.

- 4.5 It should also be noted that there has been an increase of the time set aside to carry out follow ups. This is owing to the number of outstanding recommendations, as has been highlighted in the quarterly report.
- 4.6 Because it is currently not known if the vacant post will be filled in the ongoing recruitment exercise, the calculation of available days has not included the vacant post. This takes time out of the available days but equally the time which would have allocated to training the new member of staff has been added back into the time available. If it is found that it is possible to recruit to the post then the audit plan will be revisited and reported on to the committee.
- 4.7 The total number of days available for audits having been arrived at (see Appendix A) these have then been split by the percentages shown at 2.3. This is as follows:

Total days available		133 audit days
Regeneration	7%	9 audit days
Tourism and Enterprise	12%	16 audit days
Service Delivery	39%	52 audit days
Corporate Services	42%	56 audit days

- 4.8 The universe is the starting point for developing the annual audit plan. Current issues facing the councils are considered and any relevant areas in the universe will be considered for auditing. Equally, any priorities or initiatives for the councils will be considered in the same way.
- 4.9 Once the audits that affect the objectives of the councils have been considered, the rest of the universe is looked at and consideration given to other areas of higher risk, areas that haven't been audited for some time, and new areas added. Any that are considered as being due for review are added to the list based on the table in 4.6.
- 4.10 The majority of services are now shared across the authorities so the audit plan reflects this as well. The draft plan therefore is flexible, covers the work in both authorities and reflects the risk levels around internal controls. This draft plan can be found at Appendix B.
- 4.11 The plan is in place to provide a list of audits that will be carried out if no other work is requested from the team. However, by using the percentage approach, when other work is requested it will be carried out within the time allocated for that department and will mean that one of the audits already in the plan will have to be dropped. The aim is to ensure that the breadth of audit work across all areas is maintained whilst still being able to be flexible to requests. Should work be requested that would take the department beyond the percentage allocated then a conversation would be held to decide on the importance of the piece of work being requested.
- 4.12 The work of the team will be reported quarterly to the Audit and Governance Committee.

5.0 Financial Appraisal

5.1 There are no financial implications.

6.0 Legal Implications

6.1 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.”

7.0 Risk Management Implications

7.1 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.

8.0 Equality Analysis

8.1 An equalities impact assessment is not considered necessary.

9.0 Appendices

9.1 Appendix A– Calculation of audit resources for the draft plan.
Appendix B – Draft Audit plan for 2023/2024

10. Background Papers

10.1 Audit universe

Jackie Humphrey
Chief Internal Auditor

Appendix A

Calculation of Audit Time Available

	Audit Manager	Auditor	Auditor	Auditor	Auditor
Total days	259	259	259	259	259
Non charge	227	156	129	129	129
Actual days	32	103	130	130	130

Gross total 395

Less EHL 36 Not included this year see 4.4 of report

Less SEESL 5

Total audit
days
available **390**

Annual audits 205

Follow ups of audits from previous years 52

Total **257**

Available for operational audits **133**

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	No of areas	% of universe	Actual days	Rounded days
Regeneration	11	7	9	9
Tourism and Enterprise	18	12	16	16
Service Delivery	58	39	52	52
Corporate Services	63	42	56	56

Total days	133	133
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INTERNAL AUDIT DRAFT PLAN 2023/24

Regeneration and Planning

Property Portfolio	9	9
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Tourism and Enterprise

Victoria Mansions Holiday Flats (EBC)	8	16
Beachy Head Story (EBC)	8	

Service Delivery

Climate Change and Carbon Reduction	10	52
Allocations	10	
Homelessness	10	
Lewes Waste Services (LDC)	12	
Highways (verge cutting contracts)	10	

Corporate Services

Internet Controls and Firewalls	10	56
IT Projects	10	
Community Wealth Building (LDC)	10	
Fraud	8	
Equalities	8	
Emergency Planning	10	

133

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Report to:	AUDIT AND GOVERNANCE COMMITTEE
Date:	1st March 2023
Title:	Internal Audit and Counter Fraud Report for the three quarters of the financial year 2022-2023 – 1st April 2022 to 31st December 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 three quarters of the financial year 2022-2023 – 1st April 2022 to 31st December 2022.
Officer recommendation(s):	That the update on the work of Internal Audit and Counter-Fraud be noted and members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and Governance Committee includes the duties to agree an Annual Audit Plan and keep it under review, and to keep under review the probity and effectiveness of internal controls, both financial and operational, including the council's arrangements for identifying and managing risk.
Contact Officer(s):	Name: Jackie Humphrey Post title: Chief Internal Auditor E-mail: jackie.humphrey@lewes-eastbourne.gov.uk Telephone number: 01323 415925

1 Introduction

- 1.1 The remit of the Audit and Governance 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 for the first three quarters of the financial year 2022-23.

2 Review of the work of Internal Audit carried out in the first three quarters of the financial year 2022-23

- 2.1 Appendix A lists all reports that have been issued in the first three quarters of the year.
- 2.2 There are 24 reports issued in the year that were follow up reviews. Most notable is that there were three which were fourth follow ups and one that was a fifth. It should also be noted that 13 of the follow up reviews will need to be repeated because there are still recommendations outstanding. The impact of this on the team is discussed at 2.7. There will inevitably be an impact on the assurance level to be given to the overall control environment at the end of the year.

2.3 Appendix B lists all the audits which are still subject to follow up reviews. The table shows the results of all follow ups carried out and when the next follow up is due. When all recommendations have been addressed, this will be reported once and then that audit will be removed from the list.

2.4 Appendix C lists all the outstanding recommendations against reports after one or more follow ups have been carried out.

2.5 Of the audits listed in Appendix C the following should be noted:

Outstanding after 5 follow ups

- Business Continuity Plans: 1 high risk recommendation outstanding – this recommendation was around departments writing their individual business continuity plans. The Auditor was informed that some of these had been written but no evidence was provided when it was requested. NB. this review has had the assurance level lowered to Partial due to the recommendation not being addressed after 5 follow ups.

Outstanding after 4 follow ups

- Leaseholder Management and Recharges: 1 medium risk recommendation outstanding – this is to update the handbook. Work on this has been progressing but there have been new fire safety regulations issued and so a further consultation is currently ongoing.
- Arrears Collection: 1 low risk recommendation outstanding – this recommendation is to write an overarching Corporate Arrears Collection Strategy. At the latest follow up the Deputy Chief Finance Officer has indicated that the target for completion is April 2023.

Outstanding after 3 follow ups

- Procurement: 5 medium recommendations are outstanding – four other recommendations were addressed between the second and third follow up, demonstrating that progress is being made. The next follow up is due in January.
- Members Allowances: 2 medium recommendations outstanding – at previous follow ups there have not been enough claims to test. However, further testing carried out at the third follow up found further errors. The Auditor was informed that online claim forms are being developed to attempt to reduce the potential for errors.
- Officers Expenses: 5 low risk recommendations outstanding – it is the opinion of Internal Audit that five of these recommendations are easy to address but have not been actioned. N.B. For this reason the overall assurance level has been reduced to Partial.

Outstanding after 2 follow ups

- Love Clean Streets: 1 high risk remains outstanding, but work is currently ongoing to address this recommendation. The next follow up is due in January.
- Stage Door: the results of this follow up were reported in detail at the last committee meeting. The next follow up will be carried out in February.

2.6 Appendix C was discussed at Corporate Management Team on 8th February, 2023. The Chief Executive has asked members of the Corporate Management

Team to review the outstanding recommendations and try to have them addressed.

- 2.7 As has been previously reported, the Audit team consists of an Audit Manager, three Auditors and one vacant Auditor post. One of the three Auditors has been in post for just one year and another for about seven months. The vacancy was advertised in November. However, there was a lack of suitable applicants and so no one was interviewed. The post is currently being re-advertised.
- 2.8 As well as having two new staff who have been learning the job, and carrying the vacancy, the work of the team is being hugely impacted by the number of follow ups that need undertaking because of recommendations not being addressed. As stated at 2.2, 24 follow up reviews have been carried out during this financial year. This averages at eight follow up reviews per quarter. This is not sustainable for the team as it means that few new audit reviews can be undertaken while so much time is being taken up in carrying out follow up reviews.
- 2.9 The team has also noted that it is becoming increasingly difficult to get responses from staff generally. This holds up the process of auditing and creates more work in chasing responses. As an example, there is currently a report issued in draft in early October for which the Auditor is still awaiting final comments. This is clearly a symptom of the pressures of higher workload and fewer staff. The Chief Internal Auditor and the Audit Manager continue to speak to managers to try to resolve this issue but there may not be one simple solution.
- 2.10 Some findings from reviews have been subject to deeper discussions with departments where the risks are higher. This has involved providing more detailed information and appropriate evidence to support the department to take further action outside of the audit process
- 2.11 The Chief Internal Auditor has carried out a Health and Safety investigation when the Specialist Advisor Health and Safety was on leave. The Chief Internal Auditor has also been supporting a range of project teams to provide feedback and challenge as the projects progress. This is a relatively new process and consideration needs to be given to how this work will be reported.
- 2.12 The Audit Manager is undertaking the Operations/Departmental Manager Apprenticeship and continues to effectively implement her new knowledge and skills in recruitment and induction, people management, and performance management. This is part of the drive for continuous improvement in the Internal Audit team. The overall aim is to train the whole team to a more professional level and to improve the process and reporting of audits. This is currently at an early stage but a start has been made by reviewing and updating current Audit policies and the Audit Manual.

3 Review of the work of Counter Fraud carried out in the third quarter of the financial year 2022-23

- 3.1 Housing Tenancy – The Counter Fraud team continues to work closely with colleagues in Homes First and Legal - there are currently 17 ongoing sublet/abandonment tenancy cases at various stages. Two properties were returned to council following action by the team, with a net saving of £186,000 (based on £93,000 for each property). Six other allegations were closed down in this period with no further action. The team also assisted Homes First in tracing two tenants who had abandoned their homes, this work has led to two tenancy terminations and the return of both properties to the housing stock.

- 3.2 Right To Buy - There continues to be a steady volume of Right To Buy applications since autumn 2021. 17 cases are currently either being checked, to prevent and detect fraud and protect the authority against money-laundering, or waiting for a home visit to verify residential status. Nine applications were vetted during this period and, of those, five applications were withdrawn resulting in a net preventative saving of £436,000.
- 3.2 Housing Applications/Homeless Placement – 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.
- 3.3 Housing Options – Access for Homes First caseworkers and specialists to use HM Land Registry and the National Anti-Fraud Network facilities for credit checks has been rolled out to help verify applications and prevent fraud. Additional counter-fraud training was delivered during this period to new triage officers undertaking pre-assessment of any new presentations for housing assistance. One emergency placement was cancelled following an investigation by the Counter-Fraud team which resulted in an estimated saving of £12,000.
- 3.4 Covid -19 Business Grant Fund – The team have been undertaking post verification checks to include evidence sampling of random cases selected by the Department for Business, Energy and Industrial Standards (BEIS). BEIS have confirmed all sample evidence has been received for the 10 different schemes, further checks are now being made by BEIS and the National Audit Office with the outcome expected in 2023.
- 3.5 Energy Rebate Scheme – six payments of the £150 support paid to the liable Council Tax payer to assist with the increase in energy bills have been found to have been received in error, recovery work on these payments has now commenced.
- 3.6 Council Tax – 18 cases have been investigated during the quarter as part of a review of Single Person Discounts, Exemptions and Disregards with a net recoverable income of £9,163.45 generated for the authority and a preventative saving of £6,690.56. A review of Council Tax exemptions/disregards is ongoing and includes work with National Fraud Initiative matching data held between Council Tax Records and Electoral roll. Eight cases were reviewed in this period with a net recoverable income of £2,427.51 generated along with a preventative saving of £9,224.66 (these figures are included within National Fraud Initiative savings in the table showing savings).
- 3.7 Council Tax Reduction – Four cases have been closed in this quarter generating a total recoverable income of £5,800.11 and a preventative saving of £1,321.28
- 3.8 Housing Benefit – The team continue to work closely with the Department for Work and Pensions (DWP) and our colleagues in the benefit section. Due to resources restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over the third quarter, 14 cases were closed generating a recoverable Housing Benefit overpayment of £21,099.23 and a preventative saving of £9,015.04.
- 3.9 Housing debtors – The team continue to look at debt avoidance where loans have been made to assist with securing housing and have remained outstanding following existing debt recovery methods of contact. This activity has recouped £2,950.48 during this period which otherwise might have been written off.

The team have also started assisting the Homes First officers trace former tenants with outstanding recharges and during this quarter three former tenants were traced with an outstanding debt of £2,865 owed to the council.

- 3.10 National Fraud Initiative – The 2020/21 exercise has now been completed with only a small number of cases investigated during this quarter. Across the two years, 1789 cases were reviewed and, of those, 16 were found to hold errors which has created a total amount of £28,138.32 in overpayments. Data for the 2022/23 exercise has been uploaded to the National Fraud Initiative with the first results expected in the 4th quarter.
- 3.11 Data Protection Requests – The team take an active role in supporting colleagues in other organisations to prevent fraud and tackle criminal activity. During the quarter the team dealt with seven Data Protection Act requests from the Police and other authorities. In addition, nine fit and proper person checks were completed for new or renewal House in Multiple Occupation (HMO) licences.
- 3.12 A table showing the savings made by the Counter Fraud team in 2022-2023 can be found at Appendix D. A table has been added to this appendix to give an explanation of how the amounts have been calculated.

4 Governance of Companies

- 4.1 The Chief Financial Officer has requested that the Audit and Governance Committee be given updates of assurance on the financial and governance arrangements of the companies.
- 4.2 It has been arranged that the Boards of the companies will add an agenda item to their quarterly meetings to consider the financial and governance arrangements and to make a statement on this. These statements will be reported to this committee. It should be noted that because of the dates of the Board meetings and the reporting schedule for this committee, there will be timing differences. However, all statements received in the quarter being reported on will be included in the report.
- 4.3 A standard statement to be used, if the relevant Board considers the arrangements to be in order, has been agreed. Boards are expected to clarify any concerns of which they are aware.
- 4.4 During the quarter being reported, the following statement was received from the Boards of:
- Cloud ConnX Ltd
 - Eastbourne Homes Ltd
 - Eastbourne Housing Investment Company Ltd
 - South East Environmental Services Ltd
 - Aspiration Homes Limited

“Having examined all the reports brought to the meeting the Board considers that the company is compliant with its financial and governance arrangements”.

5 Financial appraisal

- 5.1 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 D.

6 Legal implications

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

7 Risk management implications

7.1 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.

8 Equality analysis

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

9 Environmental sustainability implications

Not applicable

Appendices

Appendix A – List of reports issued during the year

Appendix B – Position of audits requiring follow up

Appendix C – Recommendations outstanding after follow-ups

Appendix D – Counter Fraud savings

**LIST OF ALL REPORTS ISSUED DURING THE FIRST THREE QUARTERS OF
2022-23**

Follow Up Reports Issued In Current Year

AUDIT	FOLLOW UP	DATE FOLLOW UP ISSUED	ASSURANCE LEVEL	
Officers Expenses	Second	12.04.22	Substantial	See Third Follow Up
Use of Social Media	First	09.05.22	Full	All recommendations addressed
Business Continuity Planning	Fourth	11.05.22	Substantial	See Fifth Follow Up
Stage Door	First	16.05.22	Minimal	See Second Follow Up
Love Clean Streets	First	20.05.22	Partial	See Second Follow Up
Arrears Collection	Third	24.05.22	Substantial	See Fourth Follow Up
Implementation of Housing Software	Third	16.06.22	Full	All recommendations addressed
Leaseholder Management and Recharges	Third	27.06.22	Substantial	See Fourth Follow Up
Fly Tipping	Third	13.07.22	Full	All recommendations addressed
Love Clean Streets	Second	22.09.22	Partial	See Appendix B for full details
Film Liaison Unit	First	28.09.22	Minimal	See Appendix B for full details
Procurement	Third	30.09.22	Partial	See Appendix B for full details
Furloughing	First	03.10.22	Full	See Appendix B for full details
Leaseholder Management and Recharges	Fourth	04.10.22	Substantial	See Appendix B for full details
Members Allowances	Third	10.10.22	Substantial	See Appendix B for full details
Covid – New Ways of Working	First	10.10.22	Substantial	See “Updated”
Information Governance	First	11.10.22	Substantial	See Appendix B for full details
Stage Door	Second	21.10.22	Partial	See Appendix B for full details
Covid – New Ways of Working	Updated First	04.11.22	Full	All recommendations addressed
Arrears Collection	Fourth	07.11.22	Substantial	See Appendix B for full details
Rent Sense	First	22.11.22	Substantial	See Appendix B for full details
Officers Expenses	Third	06.12.22	Partial (lowered)	See Appendix B for full details
Business Continuity Planning	Fifth	06.12.22	Partial (lowered)	See Appendix B for full details
Regeneration Projects	First	21.12.22	Substantial	See Appendix B for full details

Audit Reports Issued In Current Year

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-DUE
Treasury Management 2021-22	07.04.22	Substantial	N/A
Housing Rents 2021-22	23.06.22	Substantial	N/A
Payroll 2021-22	28.06.22	Substantial	N/A
Council Tax 2021-22	29.06.22	Substantial	N/A
Theatres 2021-22	01.07.22	Partial	N/A
Contract Management	03.08.22	Partial	December 22
Sovereign Centre	17.08.22	Partial	December 22
Rent Sense	15.09.22	Partial	January 23
Benefits 2021-22	30.09.22	Substantial	N/A
National Non Domestic Rates 21-22	20.12.22	Full	No Recs

Draft Reports Issued In the Current Year That Are Awaiting Responses

AUDIT	DATE DRAFT ISSUED
Main Accounting 2021-22	04.10.22
Cash and Bank 2021-22	16.12.22

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.

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

POSITION OF AUDITS REQUIRING FOLLOW UP

AUDIT	FINAL DATE		FIRST FOLLOW-UP DATE		SECOND FOLLOW-UP DATE		THIRD FOLLOW-UP DATE		FOURTH FOLLOW UP DATE		FIFTH FOLLOW UP DATE		SIXTH FOLLOW UP DUE
	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	FOURTH FOLLOW UP DATE	FOURTH FOLLOW UP ASSURANCE LEVEL	FIFTH FOLLOW UP DATE	FIFTH FOLLOW UP ASSURANCE LEVEL	
Business Continuity Plans	Nov 20	Minimal	May 21	Partial	Aug 21	Partial	Dec 21	Partial	May 22	Substantial	Dec 22	Partial	Jun 23
Procurement	Dec 20	Partial	Jul 21	Partial	Dec 21	Partial	Sep 22	Partial	Jan 23				
Leaseholder Management and Recharges	Dec 20	Partial	Sep 21	Substantial	Mar 22	Substantial	Jun 22	Substantial	Oct 22	Substantial	Apr 23		
Arrears Collection	Jan 21	Partial	Sep 21	Partial	Jan 22	Partial	May 22	Substantial	Nov 22	Substantial	Apr 23		
Members Allowances	Jan 21	Substantial	Jul 21	Substantial	Dec 21	Substantial	Oct 22	Substantial	Feb 23				
Officers Expenses	Feb 21	Substantial	Nov 21	Substantial	Apr 22	Substantial	Dec 22	Partial	Apr 23				
Stage Door	Nov 21	Minimal	May 22	Minimal	Oct 22	Partial	Feb 23						
Love Clean Streets	Dec 21	Partial	May 22	Partial	Sep 22	Partial	Jan 23						
Furloughing	Dec 21	Full	Oct 22	Full	Feb 23								
Regeneration Projects	Dec 21	Substantial	Dec 22	Substantial	Apr 23								
Film Liaison Unit	Jan 22	Minimal	Sep 22	Minimal	Jan 23								
Information Governance	Feb 22	Partial	Oct 22	Substantial	Feb 23								
Covid – New ways of working	Feb 22	Partial	Nov 22	Full									
Construction Industry Tax	Feb 22	Partial	Ongoing										
Contract Management	Aug 22	Partial	Dec 22										
Sovereign Centre	Aug 22	Partial	Dec 22										
Rent Sense	Sep 22	Partial	Nov 22	Substantial									

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RECOMMENDATIONS FROM AUDIT REPORTS WHICH REMAIN OUTSTANDING AFTER FOLLOW UP

COLOUR KEY



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
Business Continuity Planning November 20	Minimal	4	0	0	06.12.22	Fifth	Partial The assurance level of this review was downgraded to Partial because of the lack of progress.	1	0	0	Jun 23	Business Continuity Plans for every department must be completed and adopted as soon as possible. (6 months)	<p>AUDIT COMMENT</p> <p>The Regulatory Services Lead was contacted for an update on the production of departmental Business Continuity Plans. At the 4th follow up it was reported that guidance was being written for Heads of Service on how to convert their completed Business Impact Assessments into Business Continuity Plans.</p> <p>The Regulatory Services Lead responded that the majority of departments (as of late October 2022) had completed their Business Impact Assessments and were in the process of converting these into Business Continuity Plans. She added that training had been given and completed Business Continuity Plans were shown as examples as part of that training. A template for a Business Continuity Plan was also</p>

Appendix C – 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>given out at the training. This was delivered as an alternative to writing guidance.</p> <p>She stated that there was a deadline of completing Business Continuity Plans by the end of October and that she was monitoring what was coming in.</p> <p>The Regulatory Services Lead was asked to send Audit a list of completed Business Continuity Plans that had already been returned so that it could be seen how many had been returned and to select a sample to check.</p> <p>No response has been received to this request so the report was issued.</p>
<p>Procurement</p> <p>December 2020</p>	Partial	0	11	0	30.09.22	Third	Partial	0	5	0	Jan 23	<p>Performance against the Procurement Forward Plan must be monitored and reported.</p> <p>(6 months)</p>	<p>With the Forward Plan only recently established monitoring has not taken place.</p> <p>Management of the Contracts Register is a key element of the Forward Plan and its monitoring</p>

Appendix C – 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>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>Lead up work to 'No PO – No pay' project has either been completed or under way. A provisional date of 01/11/22 has been set, after which suppliers' invoices without a PO will no longer be accepted and suppliers will be asked to resubmit with PO number supplied.</p>
												<p>A note must be added to guidance on raising invoices reminding officers to:</p> <ul style="list-style-type: none"> • 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, and no other company, must be used • prompt officers to consider using 	<p>This has not been actioned yet. Apologies for delay. A general email will be sent out to all CAFI users reminding them of this and also to update our, "How to raise a PO" instructions on the web.</p>

Appendix C – 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
												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)	To date, a meeting has not been arranged.
Leaseholder Management and Recharges December 2020	Partial	0	2	0	04.10.22	Fourth	Substantial	0	1	0	Feb 23	The Leaseholder Handbook must be reviewed and updated. (6 months)	<u>Leasehold Manager</u> The consultation for the new handbook was held in July 2022. The handbook is currently under a further consultation following a recent change in the local fire safety regulations. The consultation is for the wording of the section of the handbook that covers local fire safety. The handbook should be made available in October 2022.

Appendix C – 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
Arrears Collection January 2021	Partial	2	2	3	07.11.22	Fourth	Substantial	0	0	1	Apl 23	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)	The Deputy Chief Finance Officer has indicated that, in order for a fully developed strategy to be written, the target for completion is for the new financial year (April 2023).
Members Allowances January 2021	Substantial	0	3	0	10.10.22	Third	Substantial	0	2	0	Feb 23	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> Audit identified errors when testing was carried out for the follow up review. <u>Head of Democratic Services</u> On-line forms are being developed in an attempt to reduce the potential for errors.
												All expenditure must be charged to the correct general ledger code. (1 month)	<u>Audit Comment</u> Audit identified errors when testing was carried out for the follow up review. <u>Head of Democratic Services</u> On-line forms are being developed in an attempt to

Appendix C – 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
													reduce the potential for errors.
Officers Expenses February 2021	Substantial	2	2	11	06.12.22	Third	Partial	0	0	5	Ongoing	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)	<u>Audit comment</u> The form on the intranet has been updated but does not include a tick box to show that a VAT receipt is attached.
							The assurance level of this review was downgraded to Partial because of the lack of progress.					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 reference this put onto the form itself. (3 months)	<u>Audit comment</u> The form on the intranet has still not been updated.

Appendix C – 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>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.</p> <p>(3 months)</p>	<p><u>Audit comment</u></p> <p>The form on the intranet has still not been updated.</p>
												<p>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.</p> <p>(1 month)</p>	<p><u>Audit comment</u></p> <p>No examples of travel between officers came up in the sample. As other recommendations are outstanding, a further test will be carried out at the next follow up.</p>

Appendix C – 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)	<u>Audit comment</u> Further testing showed that of 21 cases tested four had been incorrectly coded. Two were incorrectly coded by the originating department and two had been entered onto the financial system under the incorrect code.

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

REPORTS ISSUED 21/22

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
Stage Door November 21	Minimal	7	8	2	21.10.22	Second	Partial	1	4	0	Feb 23	<p>Measures must be put in place to ensure stock controls are effective, and stock is strictly controlled.</p> <p>(3 months)</p>	<p>In progress</p> <p>Laptop in place</p> <p>New stock control procedures and processes in place and being implemented.</p> <p>Purchase Orders are now being completed on time and by TSD staff.</p> <p>Touch Office updated.</p> <p>Tablet purchased exclusively for stock movement and working across all sites. This is only just bedding in with some issues that still need refining.</p> <p>Touch Office training for 3 out of 5 supervisors, 2 to follow shortly. Bar staff need training.</p> <p>More frequent stock takes happening</p>
												<p>Consideration should be given to the purpose of the information collated, how much of the information is simply being copied into spreadsheets and IT consulted to establish whether a program can be written to automate part of the process.</p> <p>(3 months)</p>	<p>In progress</p> <p>Touch Office update is complete but reports not seen by auditor.</p> <p>Streamlining of information collated, in progress.</p> <p>IT to be contacted once streamlining complete.</p>

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

													<p>Automatic Machine Services Ltd must be contacted as soon as possible to resolve the query concerning the rental fee, once resolved the discrepancies in the general ledger must be corrected.</p> <p>(3 months)</p>	<p>In progress</p> <p>Ledger code has been updated, however the corresponding E-return code still needs to be updated.</p>
													<p>A review of Health and Safety at The Stage Door Public House must be undertaken, and a plan of action developed to deal with the issues identified.</p> <p>(3 months)</p>	<p>In progress</p> <p>Many of the issues on the H&S report have been addressed.</p> <p>Still some outstanding issues.</p>
													<p>All staff working at the Stage Door Public House must attend Health and Safety training.</p> <p>(3 months)</p>	<p>In progress</p> <p>Some training complete, others still to happen.</p> <p>Auditor needs to see Training spreadsheet.</p>
<p>Love Clean Streets Application</p> <p>December 21</p>	Partial	3	1	0	22.09.22	Second	Partial	1	0	0	Jan 23	<p>A new contract must be negotiated with BBITS for the use of the Love Clean Streets service, in accordance with the Contract Procedure Rules. The contract must be passed through Legal Services.</p> <p>(3 months)</p>	<p>Going to work with Procurement and Legal Services to obtain a contract for the service.</p>	

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

<p>Furloughing December 21</p>	<p>Full</p>	<p>0</p>	<p>0</p>	<p>2</p>	<p>03.10.22</p>	<p>First</p>	<p>Full</p>	<p>0</p>	<p>0</p>	<p>1</p>	<p>Feb 23</p>	<p>A Risk Assessment Template for similar future events should be included in the Business Continuity Plan. (3 months)</p>	<p>Business Impact Assessments completed by each Senior Manager/Head of Service, that form part of the Councils Business Continuity Plan, are currently being reviewed by the Operational Lead for Emergency Planning and will include reference to similar future events.</p>
<p>Regeneration Projects December 21</p>	<p>Substantial</p>	<p>1</p>	<p>5</p>	<p>1</p>	<p>21.12.22</p>	<p>First</p>	<p>Substantial</p>	<p>0</p>	<p>1</p>	<p>0</p>	<p>Apl 23</p>	<p>Winter Garden Pentana (used for programme management) must be regularly updated to ensure its efficacy. (1 month)</p>	<p>Winter Garden Pentana not updated – last entry Oct 2021. Programme Manager (Corporate Assets) aware this needs addressing</p>
<p>Film Liaison Unit January 22</p>	<p>Minimal</p>	<p>13</p>	<p>2</p>	<p>0</p>	<p>28.09.22</p>	<p>First</p>	<p>Minimal</p>	<p>8</p>	<p>1</p>	<p>0</p>	<p>Jan 23</p>	<p>Governance, service standards and performance monitoring must be included in the contract. (3 months)</p>	<p>Initial contact made and information on the service supplied. Contract details to be defined in due course</p>
												<p>The Terms and Conditions issued by SFO on behalf of the council must be reviewed and agreed by Legal Services. (3 months)</p>	<p>Initial contact made and information on the service supplied. Contract details to be defined in due course.</p>
												<p>The invoicing process detailed in the contract and the invoicing process actually followed, must be aligned and the contract reworded as appropriate under the advice of the</p>	<p>Initial contact made and information on the service supplied. Contract details to be defined in due course.</p>

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

												council's Legal Services department. (3 months)	
												The permit cost schedule must be agreed by the council and any administration fees clearly defined within the contract. (3 months)	Not started
												There must be regular timetabled meetings to monitor the contract and to inform an annual meeting to discuss the extension of the contract, any changes to the contract, the performance over the previous year and any plans for the following year. (3 months)	Initial contact made and information on the service supplied. Contract details to be defined in due course.
												A specific, easily accessible folder must be created for contract and monitoring related documents. (1 month)	This will happen once the contact is in place.
												Procedures for the Film Liaison Unit must be drawn up and aligned across both councils. (1 month)	Written procedures have been written but will need to be aligned with the contract once it is in place.

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

													<p>End of year reconciliation, between permits granted, invoices received from SFO and paid over the year, must be carried out.</p> <p>(1 month)</p>	<p>Evidence of an end of year meeting was in place but no report. The next stage of Fame updates should provide the ability to complete this task with ease.</p>
													<p>The contract must be updated to include consideration of environmental, sustainability and carbon neutral policies when decisions are being made between the council and SFO, and when permits are being granted.</p> <p>(3 months)</p>	<p>Initial contact made and information on the service supplied. Contract details to be defined in due course.</p>
<p>Information Governance February 2022</p>	<p>Partial</p>	<p>1</p>	<p>11</p>	<p>0</p>	<p>11.10.22</p>	<p>First</p>	<p>Substantial</p>	<p>0</p>	<p>3</p>	<p>0</p>	<p>Feb 23</p>	<p>Regular and creative ways of reminding officers of their data protection responsibilities must be introduced into the daily working environment.</p> <p>(4 months)</p>	<p><u>Information Governance Manager</u> More awareness will be posted on the Hub to remind officers of their data protection responsibilities.</p>	
												<p>Consideration should be given to the method of recording and reporting data breaches so that any common themes are identified, and preventative measures investigated to assist in reducing the number of data breaches.</p> <p>(4 months)</p>	<p><u>Information Governance Manager</u> This has been mentioned at CMT and they have asked for a paper to be provided with further information. Information Governance Manager met with the Solicitor and the Head of IT, who were in agreement it would be a good idea.</p>	

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

													Evidence of consideration given to Environmental, Sustainable and Carbon Neutral policies must be documented as part of all decision-making processes. (4 months)	<u>Transformation Programme Manager</u> The project is still to determine the framework for disposal for documents
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REPORTS ISSUED 22/23

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	<u>Client Comment</u>
Rent Sense September 2022	Partial	2	6	0	2.11.22	First	Substantial	0	2	0	Mar 23	The special payment arrangements being incorrectly reported must be investigated, with Mobyssoft, to determine a resolution (3 months)	<u>Senior Specialist Advisor – Rents</u> We are currently working with Mobyssoft on this issue, in order for it to be addressed
												An operational risk assessment should be carried out for reviewing the risks associated with using third party software to monitor and evaluate the councils' rent arrears. (6 months)	<u>Senior Specialist Advisor – Rents</u> We are liaising with the Business Applications Team, ICT

Appendix D – Quarterly report on Audit and Counter Fraud work

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	0	0	£279,000.00	0	£186,000.00	0	0	0	£465,000.00
Right To Buy value saved through intervention	0	£689,000.00	0	£436,000.00	0	£436,000.00	0	0	0	£1,561,000.00
Housing intervention/fraud	0	£12,000.00	0	0	0	£12,000.00	0	0	0	£24,000.00
Revenues										
National Non Domestic Rates	£16,280.58	0	0	0	0	0	0	0	£16,280.58	0
Council Tax	£27,573.48	0	£2,953.71	0	£9,163.45	0	0	0	£39,690.64	0
Value of ongoing Council Tax increase per week	0	£22,205.76	0	£4,451.68	0	£6,690.56	0	0	0	£33,348.00
Council Tax Penalties	0	0	0	0	0	0	0	0	0	0
CTR & Housing Benefit										
Council Tax Reduction	£4,742.16	0	£455.11	0	£5,800.11	0	0	0	£10,997.38	0
Council Tax Reduction weekly incorrect benefit	0	£144.00	0	£2,545.28	0	£1,321.28	0	0	0	£4,010.56
Housing Benefit	£3,576.85	0	£17,884.47	0	£21,099.23	0	0	0	£42,560.55	0
Housing Benefit weekly incorrect benefit	0	£3,441.60	0	£5,569.68	0	£9,015.04	0	0	0	£18,026.32
Income from Administrative penalty collection	£32.48	0	£33.50	0	0	0	0	0	£65.98	0
National Fraud Initiative										
Overpayments identified	0	0	£12,455.89	0	£2,427.51	0	0	0	£14,883.40	0
Weekly incorrect benefit identified	0	0	0	£5,607.28	0	£9,224.66	0	0	0	£14,831.94
TOTALS	£52,205.55	£726,791.36	£33,782.68	£733,173.92	£38,490.30	£660,251.54	£0	£0	£124,478.53	£2,120,216.82

Appendix D – Quarterly report on Audit and Counter Fraud work

Explanation of Savings Recorded	
Tenancy Housing	
Recovery of council properties	Value of £93k per returned property based on NFI estimate
Right To Buy value saved through intervention	Value based on the discount saved for each withdrawn application (varies)
Housing intervention/fraud	Value based on an estimate of emergency placement costs £12k or removal from housing waiting list £3,400
Revenues	
National Non Domestic Rates	Value based on the outstanding liable bills now due following Counter-Fraud intervention
Council Tax	Value based on the outstanding liable bills now due following Counter-Fraud intervention
Value of ongoing Council Tax increase per week	Estimate of the amount saved based on a calculation of the length of undetected fraud - 32 weeks
Council Tax Penalties	Value of £70 or £280 penalty added to Council Tax Bill where discount/exemption fraud is found
CTR & Housing Benefit	
Council Tax Reduction	Value based on the re-assessment of entitlement following Counter-Fraud intervention
Council Tax Reduction weekly incorrect benefit	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks
Housing Benefit	Value based on the re-assessment of entitlement following Counter-Fraud intervention
Housing Benefit weekly incorrect benefit	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks
Income from Administrative penalty collection	The amount collected from Administrative Penalties following Dep for Work and Pension investigation
NFI	
Overpayments identified	Value of any overpayments detected in this quarter
Weekly incorrect benefit identified	Weekly incorrect benefit - estimate of the amount saved based on the length of undetected fraud - 32 weeks

Report to:	Audit and Governance Committee
Date:	1st March 2023
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 a 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 February 2023 Review

3.1 The Strategic Risk Register was taken to Corporate Management Team on 8th February 2023 for the quarterly review.

3.2 The Corporate Management Team reviewed the risk scores for all the risks and considered them all to be correct and not requiring update.

3.3 SR_002 – “Changes to the economic environment makes the council economically less stable”. Corporate Management Team felt tht the internal controls required updating.

3. The council is currently in ongoing discussions with central government around financial support to cover costs related to expenditure or response to the Covid-19 pandemic.

The wording has been altered to:

3. The council is continuously monitoring its financial plans to ensure early actions are taken to mitigate financial or operational risks. Additionally the council's reserves and balances are regularly reviewed to ensure compliance with its reserve policy.

The following internal controls have been added.

4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme, including the recommendations of the Cipfa Assurance Review.

5. Continuous review and monitoring of the council's Housing Revenue Business Plan in light of the recently introduced rent cap.

6. Continuous review and monitoring of the council's capital programme and financing costs.

3.4 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

Appendix A - Strategic Risk Register

9. Background papers

None

Jackie Humphrey

Chief Internal Auditor

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Strategic Risk Register (Eastbourne)

Report Type: Risks Report
Generated on: 10 February 2023

Page 71

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_001	No political and partnership continuity/consensus with regard to organisational objectives.	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy, unfit for purpose.	3	4	12	<p><u>Reduces Likelihood</u></p> <p>1. Create inclusive governance structures which rely on sound evidence for decision making.</p> <p><u>Reduces Impact</u></p> <p>2. Annual review of corporate plan and Medium-Term Financial Strategy.</p> <p>3. Creating an organisational architecture that can respond to changes in the environment.</p>	Chief Executive	2	3	6	Amber	02-May-2023
SR_002	Changes to the economic environment makes the council economically less sustainable.	<p>1. Economic development of the town suffers.</p> <p>2. Council objectives cannot be met.</p> <p>3. Inflation affecting council costs is having a</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</p>	Chief Finance Officer	5	5	25	Red	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>serious impact on the council's finances.</p> <p>4. The council's Recovery and Stabilisation programme fails to meet its objectives.</p> <p>5. Rising energy prices and inflation affecting the cost of living will affect the ability of customers to pay rent and council tax.</p>				<p>to changes in the environment.</p> <p><u>Reduces Likelihood</u></p> <p>3. The council is continuously monitoring its financial plans to ensure early actions are taken to mitigate financial or operational risks. Additionally the council's reserves and balances are regularly reviewed to ensure compliance with its reserve policy.</p> <p>4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme, including the recommendations of the Cipfa Assurance Review.</p> <p>5. Continuous review and monitoring of the council's Housing Revenue Business Plan in light of the recently introduced rent cap.</p> <p>6. Continuous review and monitoring of the council's capital programme and financing costs.</p>						

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_003	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	<p>1. Unsustainable demand on services.</p> <p>2. Service failure.</p> <p>3. Council structure unsustainable and not fit for purpose.</p> <p>4. Heightened likelihood of fraud.</p>	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Grounding significant corporate decisions based on up-to-date, robust, evidence base. (e.g. Census; Corporate Plan Place Surveys; East Sussex in Figures data modelling).</p> <p>2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme).</p>	Director of Service Delivery	3	3	9	Amber	02-May-2023
SR_004	The employment market provides unsustainable employment base for the needs of the organisation.	Employment market unable to fulfil recruitment, and council unable to retain staff, 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 undertaken to 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. Pursuit of mutually beneficial shared service arrangements.</p>	Director of Organisational Development/ Director of Devonshire Quarter	5	2	10	Amber	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						4. Maximising flexibility around recruitment and retention.						
SR_005	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	<u>Reduces Likelihood</u> <ol style="list-style-type: none"> 1. Build an organisational culture that supports equality and inclusivity through communication and support. <u>Reduces Likelihood and Impact</u> <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. 	Director of Organisational Development/ Director of Devonshire Quarter	3	4	12	Amber	02-May-2023
SR_006	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. 	4	5	20	<u>Reduces Likelihood</u> <ol style="list-style-type: none"> 1. Adoption of best practice IT and Asset Management policies and procedures. <u>Reduces Likelihood and Impact</u>	Chief Executive	2	4	8	Amber	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		3. Denial of access to people.				2. The council has created a more flexible, less locationally dependent, service architecture. <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_007	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 due 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. 3. Working with the Environment Agency on climate change measures. <u>Reduces Impact</u> 4. Ongoing and robust risk profiling of local area (demographic and geographic).	Chief Executive	2	4	8	Amber	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						5. Review budget and reserves in light of risk profile. 6. Funds set aside to help fund responses to an event. <u>Reduces Likelihood</u> 7. Adoption of, and action to implement, the council's Climate Emergency Strategy.						
SR_008	Failure to meet regulatory or legal requirements.	1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties.	3	4	12	<u>Reduces Likelihood</u> 1. Developing, maintaining and monitoring robust governance framework for the council. 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. 3. Ensure there is full understanding the impact of new legislation.	Chief Executive	2	4	8	Amber	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<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 ensure early intervention where service and/or cultural issues arise.</p> <p>7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.</p>						
SR_009	Commercial enterprises and investments do not deliver financial expectations or do not meet governance requirements.	<p>1. Unfamiliar activity with staff inexperienced in this area.</p> <p>2. Council finances affected if projects do not meet financial expectations.</p> <p>3. Reputational damage if governance procedures are inadequate.</p>	5	5	25	<p><u>Reduces Likelihood</u></p> <p>1. Hire suitably qualified/experienced staff to give legal and specialist support.</p> <p>2. Up-, or re-, skill staff to maximise commercial opportunities.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>3. Ensure that projects meet core principles.</p>	Director of Regeneration and Planning And Chief Executive	4	3	12	Amber	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		4. Failure to abide by company law.				4. Ensure governance processes are set up and adhered to. 5. Regular monitoring of the progress of enterprises in parallel with the (cross-party) Strategic Property Board and wider governance arrangements.						
SR_010	The council suffers a personal data breach by inadequate handling of data or by an IT incident.	1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a result of regulatory intervention/penalties. 3. Deterioration of service performance as a result of regulatory intervention/penalties. 4. Increased probability of compensation claims by persons affected by a personal data breach.	3	4	12	<u>Reduces Likelihood</u> 1. Ongoing corporate training for data protection. 2. Ensure all staff complete the e-learning Data Protection course. 3. Ensure that the Data Protection Policy is regularly reviewed. 4. Ensure the Data Protection Officer is afforded the resources to discharge their statutory functions. 5. Ensure that managers regularly remind staff of their responsibilities under data protection, including personal data breach reporting arrangements.	Chief Executive	2	4	8	Amber	02-May-2023

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. <u>Reduces Impact</u> 8. Incident management procedures to mitigate loss or breach of data are in place.						

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