

Audit and Governance Committee

13 November 2023



Lewes District Council

Time and venue:

10.00 am in the Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER.

Membership:

Councillor Stephen Gauntlett (Chair); Councillors Daniel Stewart-Roberts (Deputy-Chair) Graham Clews, Cathy Gallagher, Olivia Honeyman, Charlotte Keenan and James Meek

Quorum: 4

Published: Friday, 3 November 2023

Agenda

1 Minutes (Pages 5 - 8)

To confirm and sign the minutes of the previous meeting held on 4 September 2023 (attached herewith).

2 Apologies for absence/declaration of substitute members

3 Declarations of interest

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

4 Urgent items

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

5 Written questions from councillors

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

6 External Audit progress

Verbal update by District Council Officers and the Council's External Auditor, Deloitte.

- 7 Annual report on Covert Surveillance Management (Pages 9 - 14)**
Report of the Regulation of Investigatory Powers Act 2000 (RIPA) Monitoring Officer.
- 8 Treasury Management (Pages 15 - 34)**
Report of Director of Finance and Performance.
- 9 External assessment of the work of the Internal Audit function (Pages 35 - 56)**
Report of the Chief Internal Auditor.
- 10 Internal Audit and Counter Fraud Report - Quarter 2 (Pages 57 - 70)**
Report of the Chief Internal Auditor.
- 11 Strategic Risk Register Quarterly Review (Pages 71 - 82)**
Report of the Chief Internal Auditor.
- 12 Date of next meeting**
To note that the next meeting of the Audit and Governance Committee is scheduled to be held on 4 March 2024 in Room 209/210, Marine Workshops, Newhaven, BN9 0ER, commencing at 10:00am.

Information for the public

Accessibility:

Please note that the venue for this meeting is wheelchair accessible and has a hearing loop to help people who are hearing impaired. If you would like to use the hearing loop please advise Democratic Services (see below for contact details) either in advance of the meeting or when you arrive so that they can set you up with the relevant equipment to link into the system.

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Public participation:

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

Information for councillors

Disclosure of interests:

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

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

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation).

Councillor right of address:

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

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

Other participation:

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

Democratic Services

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

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Audit and Governance Committee

Minutes of the meeting held in Room 209/210 on the Second Floor, The Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER, on 4 September 2023 at 10:00am

Present:

Councillor Stephen Gauntlett (Chair);
Councillors Daniel Stewart-Roberts (Deputy-Chair), Cathy Gallagher, Olivia Honeyman, Charlotte Keenan and James Meek

Officers in attendance:

Oliver Dixon (Lawyer and Data Protection Officer), Jackie Humphrey (Chief Internal Auditor), Jennifer Norman (Committee Officer, Democratic Services), Simon Russell (Head of Democratic Services and Monitoring Officer), Joanne Stone (Principal Planning Solicitor) and Ross Sutton (Head of Financial Reporting)

13 Minutes

The minutes of the meeting held on the 3 July 2023 were submitted and approved and the Chair was authorised to sign them as a correct record.

14 Apologies for absence/declaration of substitute members

An apology for absence was received from Councillor Graham Clews.

15 Declarations of interest

There were none.

16 Urgent items

There were none.

17 Written questions from councillors

There were none.

18 External Audit progress

The Head of Financial Reporting (HFR) and the Council's former External Auditors (Deloitte) provided Members with an update in respect of Deloitte's progress on the Council's outstanding Statement of Accounts 2019/20, 2020/21 and 2021/22.

The HFR explained that the primary outstanding issue on the Statement of Accounts 2019/20 was the valuation of Council dwellings, highlighting that the main audit adjustments and some disclosure amendments had been agreed between the Council and Deloitte, subject to final audit reviews by Deloitte. He highlighted that the outstanding Statement of Accounts 2019/20 should be completed in November 2023 and that preliminary work on the outstanding Statement of Accounts 2020/21 had already begun.

Mr Sheriff (Deloitte) expanded on comments made by the HFR, highlighting that the principal focus was currently on the property valuation and how the Council tracked valuation movement. He further highlighted that Council Officers were working with Deloitte on the outstanding issues, but that changes from the old to new valuer had exacerbated the current position.

Mr Sheriff explained that small queries were currently being resolved and Deloitte's primary focus was on the completion of the oldest audits, which was a national focus for all audit firms.

Further discussions included valuation of Council owned properties, reserves and capital adjustment account, componentisation and provision methodology in relation to council tax and business rate areas.

Resolved: That the verbal update be noted.

19 Updating and alignment of Scheme of Delegations to Officers

The Committee considered the report which proposed an aligned and updated Scheme of Delegations to Officers as set out in Appendix 1.

The Monitoring Officer (MO) explained that the Scheme of Delegations to Officers was an operational document used by Council Officers to complete their day-to-day tasks. Prior to being brought to the Committee, the current Scheme had gone through an extensive review process by the Corporate Management Team, the Senior Management Forum and a cross-party Constitutional Working Group.

The MO further explained that as a result of the extensive and detailed review process, slight changes were proposed and made to align and update the Scheme as set out in Appendix 1.

The MO noted that the process of reviewing the Scheme of Delegations to Officers was a reflective and rewarding experience and he thanked the Council's Lawyer and Data Protection Officer for all his hard work.

The Council's Lawyer and Data Protection Officer (DPO) summarised the work which had been done in aligning and updating the Scheme of Delegations to Officers.

The Council's Lawyer and DPO discussed the reasons for aligning and updating the individual Schemes for both Lewes District and Eastbourne Borough Councils.

He highlighted that in 2015 senior management came together and agreed that Officers needed a single and coherent set of delegations to enable the Chief Executive, Directors and Monitoring Officer clarity on what delegated powers they had relating to certain executive powers and Full Council delegations, as the law did not provide a format for those delegations. The Council's Lawyer and DPO further highlighted that the practical consequences in the lack of an aligned and updated Scheme was that of different interpretations by Officers.

The Chair noted that he had been a member of the Constitutional Working Group and the proposed aligned and updated Scheme of Delegations to Officers had been through a thorough review, and that the detail of the review was considerable.

Further discussions included executive functions, powers delegated to Regeneration and Planning, periodic reviews of the Scheme and training Officers on the Scheme.

The Chair thanked the Monitoring Officer and the Council's Lawyer and DPO for their extensive work on the Scheme of Delegation to Officers.

Resolved:

- (1) That Cabinet be recommended to approve the updated and aligned Scheme of Delegations to Officers (executive functions only) as set out in Appendix 1; and
- (2) That Full Council be recommended to approve the updated and aligned Scheme of Delegations to Officers (council functions only) as set out in Appendix 1.

20 Treasury Management

The Committee received the report which provided details regarding the Treasury Management Activity for the period 1 April to 30 June 2023.

The Head of Financial Reporting (HFR) summarised the report, confirming that all Treasury Management Activity was in compliance with the approved Treasury Strategies.

The HFR highlighted that there had been meetings recently with the Relationship Manager of Lloyds Bank regarding the possibility of investing more money in green and social projects. He further highlighted that discussions were held regarding the ethical standings and considerations regarding areas such as fossil fuels and tax evasions, and that he would bring back further details of these discussions to the next meeting of the Committee.

Further discussions included ESG investments, the appointment of Link Asset Services as the Council's Treasury Management advisors, the Capital Programme and the Council's investments.

The Chair thanked the HFR.

Resolved: That it be noted that the Treasury Management activity for the period of 1 April to 30 June 2023 has been in accordance with the approved Treasury Strategies.

21 Internal Audit and Counter Fraud report for the first quarter of the financial year 2023-2024 - 1st April 2023 to 30th June 2023

The Committee received the report which provided a summary of the activities of Internal Audit and Counter for the financial year 2023/24 - 1 April 2023 to 30 June 2023.

The Council's Chief Internal Auditor (CIA) summarised the report, noting that the first quarter of the financial year historically did not contain a lot to report on.

The CIA highlighted that after nine-month vacancy on the Council's Audit team, a new member of staff had been recruited and would begin their role on 11 September 2023.

Discussions included outstanding recommendations and responses from managers, counter fraud and fraud prevention.

Resolved: That the report be noted.

22 Date of next meeting

It was noted that the next meeting of the Audit and Governance Committee was scheduled to be held on Monday, 13 November 2023, in Room 209/210 on the Second Floor, Marine Workshops, Railway Quay, Newhaven, East Sussex, BN9 0ER, commencing at 10:00am.

The meeting ended at 11:48am.

Councillor Stephen Gauntlett (Chair)

Report to:	Audit and Governance Committee
Date:	13 November 2023
Title:	Annual report on Covert Surveillance Management
Report of:	RIPA Monitoring Officer
Ward(s):	All
Purpose of report:	To provide an overview of the Council's use of covert surveillance powers in 22/23.
Officer recommendation(s):	To note the covert surveillance summary for September 2022 to September 2023
Reasons for recommendations:	Best practice requires an annual update to the Committee on Covert Surveillance Policy adherence
Contact Officer(s):	Name: Lee Ewan Post title: Counter-Fraud Investigations Manager and RIPA Monitoring Officer E-mail: lee.ewan@lewes-eastbourne.gov.uk Telephone number: 01323 41523

1 Introduction

1.1 On 14 November 2022, the Audit and Standards Committee approved:

(i) the Council's updated policy on the use of covert surveillance and covert human intelligence sources; and

(ii) the Council's new policy on the acquisition of communications data.

Both policies were drafted to comply with the recommendations stemming from IPCO's (Investigatory Powers Commissioner's Office) 2022 inspection of the Council's surveillance arrangements.

1.2 Officers are required to report annually to the Committee on action taken under these policies. Accordingly, the information set out in the report below covers the period since September 2022.

2 Legislative and Policy Background

2.1 Part 2 of the Regulation of Investigatory Powers Act 2000 ('RIPA') provides for the authorisation by certain public bodies, including Lewes District Council, of 'Directed Surveillance'.

- 2.2 'Directed Surveillance' is covert surveillance carried out in relation to a specific investigation or operation in such a manner as is likely to result in the obtaining of private information about any person, other than by way of immediate response to events or circumstances.
- 2.3 In conducting directed surveillance, the Council must comply not just with RIPA but with the relevant Home Office code of practice and the Council's own policy, links to which are provided in paragraph 12 below.
- 2.4 In procedural terms, the most important steps under RIPA are for the directed surveillance to be authorised internally by a trained and designated senior manager, and for that authorisation to be approved by a justice of the peace, i.e. a magistrate or district judge
- 2.5 At both stages, the authorising officer and JP must be satisfied that the proposed surveillance is necessary for the prevention or detection of a crime punishable, on conviction, by a custodial sentence of at least six months; and is proportionate to what is sought to be achieved by carrying it out. This involves balancing the seriousness of the intrusion into the privacy of the subject (or any other person who may be affected) against the need for the activity in investigative and operational terms.

3 Governance Arrangements

- 3.1 IPCO provides independent oversight of the use of investigatory powers by intelligence agencies, police forces and other public authorities. Its purpose is to oversee how these powers are used, taking account of the public interest and ensuring that investigations are conducted in accordance with the law.
- 3.2 IPCO's oversight includes the inspection of public authorities. Lewes and Eastbourne Councils are inspected once every three years, most recently in June 2022. Details of the recommendations from the inspection can be found in paragraph 6.1.
- 3.3 Internally, the Council regulates its use of surveillance powers through specially trained managers, consisting of:
- RIPA Senior Responsible Officer – Oliver Dixon
 - RIPA Monitoring Officer – Lee Ewan
 - RIPA Authorising Officers – Tim Whelan and Linda Farley
- 3.4 To ensure continuing capability over the past 12 months, Oliver Dixon attended a RIPA Senior Responsible Officer refresher course and Tim Whelan attended a RIPA Authorising Officer refresher course, both in November 2022. An additional RIPA Authorising Officer refresher course has been organised for Linda Farley in February 2024.
- 3.5 Surveillance arrangements are also subject to periodic internal audit.

4 Use of Covert Surveillance Powers between September 2022 and September 2023

- 4.1 Over the period September 2021 – September 2022, no council officer sought authorisation to conduct directed surveillance, to use a covert human intelligence source (CHIS) or to acquire communications data. Accordingly, no authorisations for these activities were granted during this time.
- 4.2 The non-use of directed surveillance powers is in part explained by the strict criteria relating to authorisation, as detailed in paragraph 2.5 above. The Council continues to investigate suspected criminal offences (mainly fraud), breach of tenancy agreements and non-payment of fees or taxes but, in the overriding majority of cases, directed surveillance cannot be justified under RIPA criteria and is therefore not used.
- 4.3 The Council's Neighbourhood First officers wear highly visible uniforms which helps deter criminal activity in the community. Any surveillance they undertake to deter fly tipping is done using cameras mounted on lamp posts but with highly visible signage intended to make potential offenders aware. Such activity amounts to overt surveillance which falls outside of the scope of this report, as it is not regulated by RIPA 2000 or the Investigatory Powers Act 2016.

5 Online Surveillance

- 5.1 Certain council teams may from time to time use open source material available on the internet to confirm the identity and circumstances of persons who (a) are in significant debt to the Council and need to be traced or (b) may be the subject of, or associated with, a counter-fraud investigation.
- 5.2 Controls are in place to minimise the risk that use of open source material to confirm an online presence (which, because it is in the public domain, does not intrude on the person's right to a private and family life) does not develop into 'directed surveillance' and therefore require express authorisation to render it a lawful interference with their right to privacy.
- 5.3 Typically, online research may amount to directed surveillance if it becomes highly targeted through focused and systematic monitoring of an individual over a period of time, resulting in a profile or record of that person's activities being created and used, with a view to potential legal proceedings. Such surveillance may lawfully proceed only if it (a) meets the crime threshold – see paragraph 2.5; and (b) is authorised in accordance with RIPA procedures.
- 5.4 Controls are also in place to ensure that creating a covert profile to establish an online connection with a person whose social media profile is not open to the public may not proceed without the necessary authorisation.
- 5.5 The RIPA Monitoring Officer is meeting with the relevant Council teams to review the control arrangements and reinforce compliance.
- 5.6 Historically, the directed surveillance operations conducted by the Council have all related to fraud within the ambit of the Fraud Act 2006 and therefore liable to a penalty that would meet the crime threshold specified in paragraph 2.5 above.

6 IPCO Recommendations

- 6.1 IPCO made one recommendation following their inspection of the Council's surveillance management systems in June 2022 which has now been implemented. The recommendation centred on amendments to the Council's RIPA policies to incorporate the retention, review and destruction (RRD) of data gathered utilising the covert powers available. IPCO's report adds that the policies should carry clear instructions on the need to undertake RRD of covertly gathered material and to comply with the safeguarding chapters found within the Home Office Codes of Practice.

7 Financial appraisal

- 7.1 There are no financial issues associated with this report.

8 Legal implications

- 8.1 For the Council's directed surveillance, use of a CHIS or acquisition of communications data to comply with human rights legislation (specifically the right to respect for family and private life, and the right to a fair trial), it must comply with the controls and procedures set down by the Regulation of Investigatory Powers Act 2000 or the Investigatory Powers Act 2016 (as applicable). The Council must also have regard to the relevant Home Office codes of practice which set out the practical steps local authorities should follow in applying these regulatory controls.

9 Risk management implications

- 9.1 Failure to implement IPCO's recommendations brings with it the risk of (1) non-compliance with surveillance legislation and codes of practice; and (2) censure by IPCO at their next inspection, causing reputational harm to the Council.

10 Equality analysis

- 10.1 There are no equality issues associated with this report.

11 Environmental sustainability implications

- 11.1 There are no environmental issues with this report

12 Background Papers

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

- [Home Office Code of Practice on Covert Surveillance and Property Interference \(August 2018\)](#)
- [Home Office Code of Practice on Communications Data \(November 2018\)](#)
- [LEC's policy on use of covert surveillance and/or covert human](#)

[intelligence sources](#)

- [LEC's policy on the acquisition of communications data](#)

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Report To:	Audit and Governance Committee
Date:	13 November 2023
Report Title:	Treasury Management
Report of:	Director of Finance and Performance (Chief Finance Officer – S151 Officer)
Ward(s):	All
Purpose of report:	To present details of recent Treasury Management activities.
Officer Recommendations:	To note and recommend that Council accepts that Treasury Management Activities for the period April to September 2023 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(s):	Name: Ross Sutton Post title: Head of Financial Reporting e-mail: ross.sutton@lewes-eastbourne.gov.uk Telephone number: 07591 988346

1. Introduction

- 1.1 The 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 review a formal summary report detailing the recent Treasury Management activity before it is considered by Council, in accordance with best practice and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 1.3 The timetable for reporting Treasury Management activity in 2023/24 is shown in the table below. This takes into account the timescale for the publication of each Committee agenda and is on the basis that it is preferable to report on activity for complete months. Any extraordinary activity taking place between the close of the reporting period and the date of the Audit and Governance Committee meeting will be reported verbally at that meeting.

Meeting date	Reporting period for transactions
3 July 2023	2022/23 Annual Report (up to 31 March 2023)
4 September 2023	April to June 2023
13 November 2023	April to September 2023 (Mid Year Review)
January 2024	April to December 2023
March 2024	April 2023 to February 2024

- 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 & Governance Committee before they were reported to the Full Council.
- 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.
- 1.6 The criteria for lending to Banks are derived from the list of approved counter parties provided by the Council's Treasury Management advisors, Link Asset Services. The list is amended to reduce the risk to the Council by removing the lowest rated counterparties and reducing the maximum loan duration.

2. Economic Background

- 2.1 As expected, the Bank of England's Monetary Policy Committee continue to increase the Bank Rate and a detailed economic commentary on developments during period ended 30 September 2023 is attached as **Appendix A**.

3. Interest Rate Forecasts

- 3.1 The Council has appointed Link Group as its treasury advisors 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.
- 3.2 The latest forecast on 25 September 2023 sets out a view that short, medium 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.
- 3.3 Link's forecast of bank rate and PWLB borrowing rates are set out below.

Link Group Interest Rate View 25.09.23													
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

Note

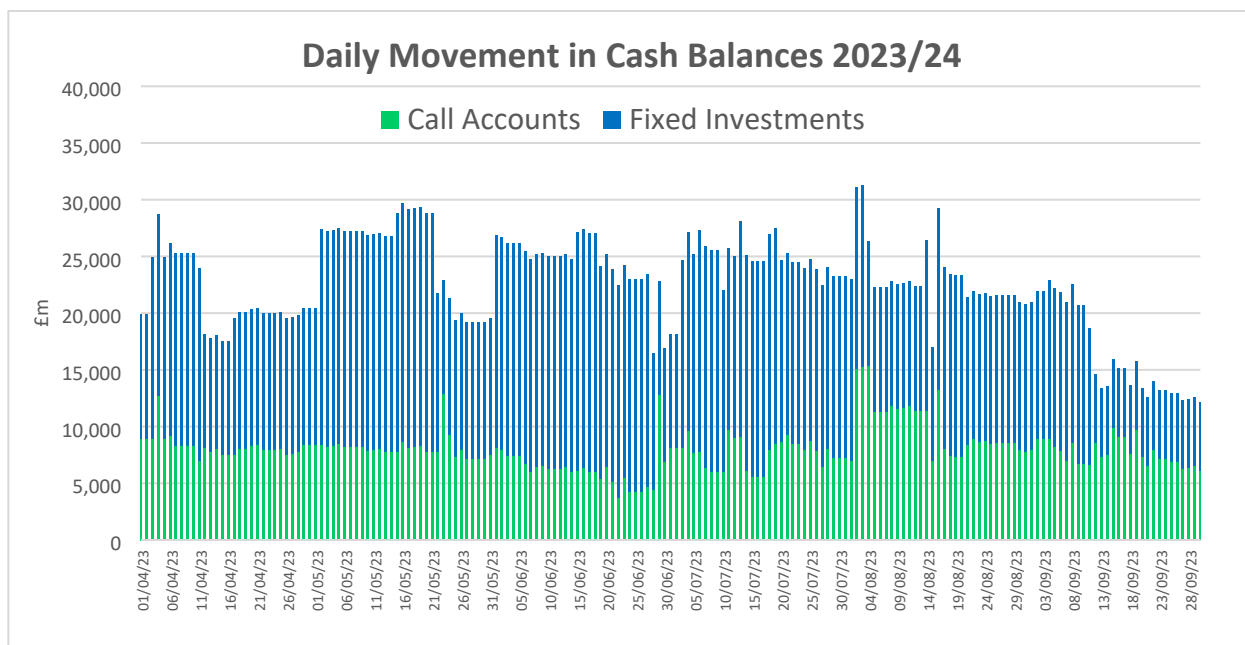
- 1) LIBOR and LIBID rates ceased at the end of 2021. In a continuation of previous views, money market yield forecasts are based on expected average earnings by local authorities for 3 to 12 months.
- 2) The Link forecast for average earnings are averages i.e., rates offered by individual banks may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

4. Annual Investment Strategy

- 4.1 CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes in December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.
- 4.2 The Treasury Management Strategy Statement (TMSS) for 2023/24 which includes the Annual Investment strategy (AIS), was approved by the Full Council on 20 February 2023. It sets out the Council's investment priorities as being:
 - Security (of Capital);
 - Liquidity;
 - Yield.
- 4.3 The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity, aligned with the Council's risk appetite. In the current economic climate, over and above keeping investments short-term to cover cash flow needs, there is a benefit to seek out value available in periods up to 12 months with high credit rated financial institutions, using the Link suggested creditworthiness approach, including a minimum sovereign credit rating and Credit Default Swap (CDS) overlay information.
- 4.4 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.
- 4.5 There have been some changes to individual counterparty credit ratings over the period. However, officers continue to closely monitor these, and other measures of creditworthiness to ensure that only appropriate counterparties are considered for investment purposes.

5. Treasury Management Activity

5.1 The chart below summarises the Council's investment position over the period 1 April to 30 September 2023. It shows the total sums invested each day split between Fixed Term investments and amounts held in Call accounts. The average balance over the period is £22.5m (£14.5m Fixed and £8.0m Call).



5.2 Fixed Term Deposits pending maturity

The following table shows the fixed term deposits held at 30 September 2023 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).

Counterparty	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Link - Standard Charter sustainable	17/07/23	17/10/23	92	5,000,000	5.45%	A+
Link- Bayerische Landesbank	-	-	-	-	-	-

5.3 Fixed Term Deposits which have matured in the reporting period

The table below shows the fixed term deposits which have matured between 1 April to 30 September 2023 in maturity date order. It is important to note that the table includes sums reinvested.

Counterparty	Date From	Date To	Days	Principal £	Rate %	Long Term Rating
Link - Standard Charter sustainable	03/03/23	03/04/23	31	5,000,000	3.80%	A+
Link- Bayerische Landesbank	30/03/23	13/04/23	14	5,000,000	4.07%	A-
DMO	30/03/23	06/04/23	7	1,000,000	4.05%	*
Link - Standard Charter sustainable	03/04/23	17/04/23	14	5,000,000	4.05%	A+
DMO	03/04/23	12/04/23	9	5,000,000	4.05%	*
DMO	06/04/23	12/04/23	6	2,000,000	4.05%	*
Link- Bayerische Landesbank	13/04/23	15/05/23	32	5,000,000	4.09%	A-
DMO	17/04/23	23/05/23	36	2,000,000	4.14%	*
Link - Standard Charter sustainable	17/04/23	17/07/23	91	5,000,000	4.39%	A+
DMO	02/05/23	22/05/23	20	7,000,000	4.20%	*
DMO	15/05/23	23/05/23	8	2,000,000	4.38%	*
Link- Bayerische Landesbank	15/05/23	15/06/23	31	5,000,000	4.29%	A-
DMO	24/05/23	29/06/23	36	2,000,000	4.43%	*
DMO	01/06/23	28/06/23	27	6,700,000	4.44%	*
Link- Bayerische Landesbank	15/06/23	15/08/23	61	5,000,000	4.77%	A-
DMO	15/06/23	19/06/23	4	2,300,000	4.38%	*
DMO	03/07/23	10/07/23	7	6,500,000	4.88%	*
DMO	04/07/23	04/09/23	62	1,000,000	5.06%	*
DMO	06/07/23	10/07/23	4	2,000,000	4.88%	*
DMO	10/07/23	04/08/23	25	5,000,000	4.88%	*
DMO	13/07/23	20/07/23	7	3,000,000	4.88%	*
Link - Standard Charter sustainable	17/07/23	17/10/23	92	5,000,000	5.45%	A+
DMO	14/08/23	21/08/23	7	4,000,000	5.13%	*
DMO	16/08/23	12/09/23	27	6,000,000	5.13%	*

Note: * indicates UK Government body and therefore not subject to a credit rating.

The weighted average rate of interest earned on deposits held in the period 1 April to 30 September 2023 was 4.72% (4.35% Q1). The average bank base rate for the period was 4.80%.

5.4 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 £2.66m (£2.53m Q1), generating interest of £83k.

Counterparty	Balance at 30/9/23 £000	Average Balance £000	Interest Rate %
Santander Business Reserve Account	£5,000	£4,943	3.23%
Lloyds Bank Current Account	£304	£1,587	1.90%
Lloyds Bank Call Account	£810	£1,462	5.14%

5.5 Money Market Funds

There were no funds Money Market Funds held at 30 September 2023, and there was no activity in the period.

5.6 Bond Funds, Multi-Asset Income Funds and Property Funds

There were no Short Dated Bond Funds, Multi-Asset Income Funds or Property Funds held at 30 September 2023, and there was no activity in the period.

6. Capital Position

6.1 This table shows the revised estimates for capital expenditure and the changes since the 2023/24 capital programme was agreed at the Budget. Appendix 2 provides further details.

	Original Budget £000	Revised Budget £000	Forecast Outturn £000
HRA	16,549	22,009	16,752
General Fund	52,607	69,726	21,055
Total Capital Expenditure	69,156	91,735	37,807

6.2 The original budget has been updated for carry over underspends from the previous financial year and any supplementary budgets approved during the year. The Revised Budget has increased to £91.735m. The Forecast for the year is £37.807m as there has been significant deferral of schemes to 2024/25 and future years.

6.3 The financing of the capital programme has been updated in line with the changes in the table above (see Appendix 2). The borrowing element will increase the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision).

7. Borrowing

7.1 The Council's capital financing requirement (CFR) for 2023/24 is forecast as £114.7m (GF £26.8m and HRA £87.9m). The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing), or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

PWLB Rates

7.2 Gilt yield curve movements have shifted upwards, especially at the shorter end of the yield curve since the previous forecast but remain relatively volatile. PWLB 5 to 50 years Certainty Rates are, generally, in the range of 4.90% to 5.60%. The view is that markets have built in, already, nearly all the effects on gilt yields of the likely increases in Bank Rate and the elevated inflation outlook.

7.3 Link’s core debt management advice remains unaltered, to continue to reappraise any capital expenditure plans/profiles, and internally/temporarily borrow for any financing and re-financing. Only seek longer-dated debt if there is absolute certainty on the long-term rates and can conclude it is affordable, sustainable and prudent if funded at prevailing levels.

External Debt

7.4 The Council’s long term borrowing at 30 September was £47.7m (£51.7m Q1) including £42.7m Public Works Loan Board (PWLB) and £5m Barclays loan. Debt at the start of the year was £51.7m and a £4m loan has matured during the year. A further £4m will mature in March 2024.

7.5 The long term borrowing is at fixed rates of interest ranging from 2.63% to 4.50%. There was no short term borrowing at 30 September 2023. The General Fund makes internal loans to the Housing Revenue Account and the balance at the start of the financial year was £24.2m.

7.6 No new borrowing has been undertaken this year to-date and it is anticipated this will remain the position for the remainder of the year. This is a prudent and cost-effective approach in the current economic climate but will require ongoing monitoring if further upside risk to gilt yields prevails.

8. Debt Rescheduling

8.1 Debt rescheduling opportunities have increased significantly in the current quarter where gilt yields, which underpin PWLB rates and market loans, have risen materially. The Council will be advised if there is value to be had by rescheduling or repaying a part of the debt portfolio. This is dependent on levels of investment balances. No debt rescheduling has currently been undertaken in the financial year.

9. Capital Financing Costs Summary

9.1 The table below summaries the General Fund (GF) interest payable, minimum revenue provision (MRP) and interest receivable forecast for the year.

General Fund	Original Budget £000	Forecast Outturn £000	Q2 Actual £000
Interest Payable - Borrowing	-	-	-
MRP	703	467	-
Interest Receivable – Treasury Investments	(495)	(888)	(345)
Net Interest Cost	208	(421)	(345)

9.2 There are no GF loans and interest payable. MRP is calculated at the end of the financial year. Interest receivable has increased due to base rate rises from 3.5% in January to 5.25% currently.

9.3 The table below summaries the Housing Revenue Account (HRA interest payable and interest receivable forecast for the year.

HRA	Original Budget £000	Forecast Outturn £000	Q2 Actual £000
Interest Payable	2,376	2,837	461
Interest Receivable	(143)	(900)	(757)
Net Interest Cost	2,233	1,937	(296)

9.4 Interest receivable has increased due a change in which HRA balances interest is now paid and also to base rate rises from 3.5% in January to 5.25% currently. Interest payable has increased due to a higher rate on the borrowing from the general fund.

10. Compliance with Treasury and Prudential Limits

10.1 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 Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs).

10.2 The tables below shows the RAG status of the Prudential and Treasury Indicators comparing the Budget position to the Forecast for the year.

Prudential Indicators	2023/24 Budget	2023/24 Forecast	RAG Status
Authorised Limit for external debt	£166m	£166m	GREEN
Operational Boundary for external debt	£151m	£151m	GREEN
Capital Financing Requirement (CFR)	£131m	£115m	GREEN
Gross External debt	£55m	£48m	GREEN
Debt compared to CFR (under) / over borrowing	(£76m)	(£67m)	GREEN
Proportion of GF Financing Costs to Net Revenue Stream	6.7%	9.8%	AMBER
Proportion of HRA Financing Costs to Rental Income (excluding depreciation)	11.4%	16.7%	AMBER
Proportion of net income from commercial and service investments to Net Revenue Stream	11.6%	12.9%	GREEN
Total Investments (average)	£22m	£22m	GREEN
Investment returns %	2.3%	4.0%	GREEN

Section 6 and Appendix B includes details of the requirement for a Capital Expenditure indicator.

Treasury Indicators	2023/24 Budget	2023/24 Forecast	RAG Status
Upper limit for principal sums invested for longer than 365 days	100%	100%	GREEN
Maturity structure of fixed rate borrowing - upper limits:			
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

Paragraphs 10.6 to 10.8 and Appendix C include details of the requirement for a Liability Benchmark indicator.

- 10.3 As at 30 September 2023, all indicators have a green status with the exception of financing costs. The % of GF financing costs has increased as the GF pays interest on HRA balances. Average investment rates received will increase as base rates rise. The % of HRA financing costs has increased as the HRA pays interest on loans provided by the GF. The interest rate payable will increase as base rate and PWLB rates rise.
- 10.4 The Capital Financing Requirement (CFR) has reduced by £15m from an estimated £131m (Feb 2023) to a forecast £115m. The reduction is due to lower capital expenditure in 2022/23 (financed through borrowing) reducing the opening balance at 1/4/23 and lower forecast capital expenditure in 2023/24 (financed through borrowing).
- 10.5 Approved limits within the Annual Investment Strategy were not breached during the period ending 30 September 2023, except for the balance held with Lloyds Bank, which exceeded the £5m limit for 13 days during the period (3 days Q1). Breaches normally occur where (i) other investments have been recalled back to Lloyds a day early in readiness for larger than usual outgoings the following day or (ii) other investments are received back too late in the day to reinvest so remain with Lloyds overnight. During August there was a period of 10 days where the Lloyds limit was breached due to annual leave and limited staff resources. The balances were therefore kept higher than normal.

Liability Benchmark

- 10.6 There is a requirement to provide a comparison of the existing loan portfolio against committed borrowing needs in order to understand future debt requirements. The chart covers the following four areas
- i. Existing Loan Debt = current borrowing portfolio;
 - ii. Capital Financing Requirement (loans only);
 - iii. Net Loans Requirement = loan debt (less treasury management investments) forecast based on approved prudential borrowing and planned MRP;
 - iv. Liability Benchmark = Net Loans Requirement plus short term liquidity allowance.
- 10.7 Appendix C includes liability benchmark charts for both the General Fund and HRA. Only approved expenditure and financing budgets for the period to 2026/27 are to be included although the charts cover the full debt maturity profile and MRP to 2066/67.
- 10.8 The GF chart shows the CFR reducing over time due to MRP payments. The liability benchmark line moves negative in 2044 when MRP exceeds loan debt. The HRA chart shows the CFR increasing and then levelling out as there are no MRP payments or capital receipts set aside. PWLB debt reduces over time as debt matures. Any gaps between actual loan debt outstanding and the liability benchmark will need to be managed in the future.

11. Non-treasury investments

11.1 Lewes Housing Investment Company

Lewes Housing Investment Company is a wholly owned subsidiary of the Council incorporated in July 2017. It was established to acquire, improve, and let residential property at market rents. Capital allocations would need to be approved as potential commercial loan funding to facilitate property purchases. No loans have been made to-date.

11.2 Aspiration Homes LLP

Aspiration Homes LLP is a limited liability partnership owned jointly by Lewes District Council and Eastbourne Borough Council incorporated in June 2017. It was established for the purpose of developing housing to be let at affordable rent. As at 31 March 2023, loans outstanding were £3.04m relating to two schemes (Grays School, Newhaven and Caburn Field, Ringmer). In addition, £20k of working capital loans have been made. No loans have been made to-date in 2023/24.

12. Environmental, Social and Governance (ESG) Investment

- 12.1 The Cabinet at its meeting on 2 February 2023 approved the 2023/24 Treasury Management and Investment Strategy, which include Non-Specified investments in Green Energy Bonds and/or other ESG products that met the Council's internal and external due diligence criteria.

- 12.2 While a wide range of ESG investments are currently limited, there are expectations to see more banks and funds providing specific products over the coming years. As this area continues to develop and become more prominent, the Council in conjunction with the treasury management advisor (Link Asset Services) will continue to monitor ESG investment opportunities within the parameters of the Council's counterparty criteria and in compliance with the DLUHC Investment Guidance.
- 12.3 The Council holds a £5m deposit balance within the Standard Chartered Bank Sustainable Time Deposit, which functions just like a normal Time Deposit. The difference is in the sustainable impact where the deposits are referenced against qualifying sustainable loans and projects of Standard Chartered that meet their Green and Sustainable Product Framework.
- 12.4 These loan and project assets include green financing, sustainable infrastructure projects, micro-finance, and access to finance for SME business banking. It addresses the long-term environmental challenges such as climate change, health, and financial inclusion plus being dedicated towards financing sustainable loans and projects aligned to the United Nation's Sustainable Development Goals.

Sustainable Development Goals



13. Financial Appraisal

- 13.1 All relevant implications are referred to in the above paragraphs.

14. Risk Management Implications

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

15. Equality Analysis

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

16. Legal Implications

16.1 There are no legal implications from this report.

17. Environmental sustainability implications

17.1 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.

18. Appendices

Appendix A - Link Treasury Services Economic commentary

Appendix B – LDC Capital Programme 2023/24

Appendix C - Liability Benchmarks

Appendix D – Glossary of Terms

19. Background Papers

Treasury Management and Prudential Indicators 2023/24, Capital Strategy & Investment Strategy (Cabinet 2/2/23)

Link Treasury Services Limited - Detailed economic commentary on treasury management activities and developments.

Economics Update

- The first half of 2023/24 saw:
 - Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
 - Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
 - A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
 - CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
 - Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.
 - A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).
- The 0.5% m/m fall in GDP in July suggests that underlying growth has lost momentum since earlier in the year. Some of the weakness in July was due to there being almost twice as many working days lost to strikes in July (281,000) than in June (160,000). But with output falling in 10 out of the 17 sectors, there is an air of underlying weakness.
- The fall in the composite Purchasing Managers Index from 48.6 in August to 46.8 in September left it at its lowest level since COVID-19 lockdowns reduced activity in January 2021. At face value, it is consistent with the 0.2% q/q rise in real GDP in the period April to June, being followed by a contraction of up to 1% in the second half of 2023.
- The 0.4% m/m rebound in retail sales volumes in August is not as good as it looks as it partly reflected a pickup in sales after the unusually wet weather in July. Sales volumes in August were 0.2% below their level in May, suggesting much of the resilience in retail activity in the first half of the year has faded.
- As the growing drag from higher interest rates intensifies over the next six months, we think the economy will continue to lose momentum and soon fall into a mild recession. Strong labour demand, fast wage growth and government handouts have all supported household incomes over the past year. And with CPI inflation past its peak and expected to decline further, the economy has got through the cost-of-living crisis without recession. But even though the worst of the falls in real household disposable incomes are behind us, the phasing out of financial support packages provided by the government during the energy crisis means real incomes are unlikely to grow strongly. Higher interest rates will soon bite harder too. We expect the Bank of England to keep interest rates at the probable peak of 5.25% until the second half of 2024. Mortgage rates are likely to stay above 5.0% for around a year.

- The tightness of the labour market continued to ease, with employment in the three months to July falling by 207,000. The further decline in the number of job vacancies from 1.017m in July to 0.989m in August suggests that the labour market has loosened a bit further since July. That is the first time it has fallen below 1m since July 2021. At 3.0% in July, and likely to have fallen to 2.9% in August, the job vacancy rate is getting closer to 2.5%, which would be consistent with slower wage growth. Meanwhile, the 48,000 decline in the supply of workers in the three months to July offset some of the loosening in the tightness of the labour market. That was due to a 63,000 increase in inactivity in the three months to July as more people left the labour market due to long term sickness or to enter education. The supply of labour is still 0.3% below its pre-pandemic February 2020 level.
- But the cooling in labour market conditions still has not fed through to an easing in wage growth. While the monthly rate of earnings growth eased sharply from an upwardly revised +2.2% in June to -0.9% in July, a lot of that was due to the one-off bonus payments for NHS staff in June not being repeated in July. The headline 3myy rate rose from 8.4% (revised up from 8.2%) to 8.5%, which meant UK wage growth remains much faster than in the US and in the Euro-zone. Moreover, while the Bank of England's closely watched measure of regular private sector wage growth eased a touch in July, from 8.2% 3myy in June to 8.1% 3myy, it is still well above the Bank of England's prediction for it to fall to 6.9% in September.
- CPI inflation declined from 6.8% in July to 6.7% in August, the lowest rate since February 2022. The biggest positive surprise was the drop in core CPI inflation, which declined from 6.9% to 6.2%. That reverses all the rise since March and means the gap between the UK and elsewhere has shrunk (US core inflation is 4.4% and in the Euro-zone it is 5.3%). Core goods inflation fell from 5.9% to 5.2% and the further easing in core goods producer price inflation, from 2.2% in July to a 29-month low of 1.5% in August, suggests it will eventually fall close to zero. But the really positive development was the fall in services inflation from 7.4% to 6.8%. That also reverses most of the rise since March and takes it below the forecast of 7.2% the Bank of England published in early August.
- In its latest monetary policy meeting on 20 September, the Bank of England left interest rates unchanged at 5.25%. The weak August CPI inflation release, the recent loosening in the labour market and the downbeat activity surveys appear to have convinced the Bank of England that it has already raised rates far enough. The minutes show the decision was "finely balanced". Five MPC members (Bailey, Broadbent, Dhingra, Pill and Ramsden) voted for no change and the other four (Cunliffe, Greene, Haskel and Mann) voted for a 25bps hike.
- Like the US Fed, the Bank of England wants the markets to believe in the higher for longer narrative. The statement did not say that rates have peaked and once again said if there was evidence of more persistent inflation pressures "further tightening in policy would be required". Governor Bailey stated, "we'll be watching closely to see if further increases are needed". The Bank also retained the hawkish guidance that rates will stay "sufficiently restrictive for sufficiently long".
- This narrative makes sense as the Bank of England does not want the markets to decide that a peak in rates will be soon followed by rate cuts, which would loosen financial conditions and undermine its attempts to quash inflation. The language also gives the Bank of England the flexibility to respond to new developments. A rebound in services inflation, another surge in wage growth and/or a further leap in oil prices could conceivably force it to raise rates at the next meeting on 2nd November, or even pause in November and raise rates in December.
- The yield on 10-year Gilts fell from a peak of 4.74% on 17th August to 4.44% on 29th September, mainly on the back of investors revising down their interest rate expectations. But even after their recent pullback, the rise in Gilt yields has exceeded the rise in most other Developed Market government yields since the start of the year. Looking forward, once inflation falls back, Gilt yields are set to reduce further. A (mild) recession over the next couple of quarters will support this outlook if it helps to loosen the labour market (higher unemployment/lower wage increases).

- The pound weakened from its cycle high of \$1.30 in the middle of July to \$1.21 in late September. In the first half of the year, the pound bounced back strongly from the Truss debacle last autumn. That rebound was in large part driven by the substantial shift up in UK interest rate expectations. However, over the past couple of months, interest rate expectations have dropped sharply as inflation started to come down, growth faltered, and the Bank of England called an end to its hiking cycle.
- The FTSE 100 has gained more than 2% since the end of August, from around 7,440 on 31st August to 7,608 on 29th September. The rebound has been primarily driven by higher energy prices which boosted the valuations of energy companies. The FTSE 100's relatively high concentration of energy companies helps to explain why UK equities outperformed both US and Euro-zone equities in September. Nonetheless, as recently as 21st April the FTSE 100 stood at 7,914.

Appendix B

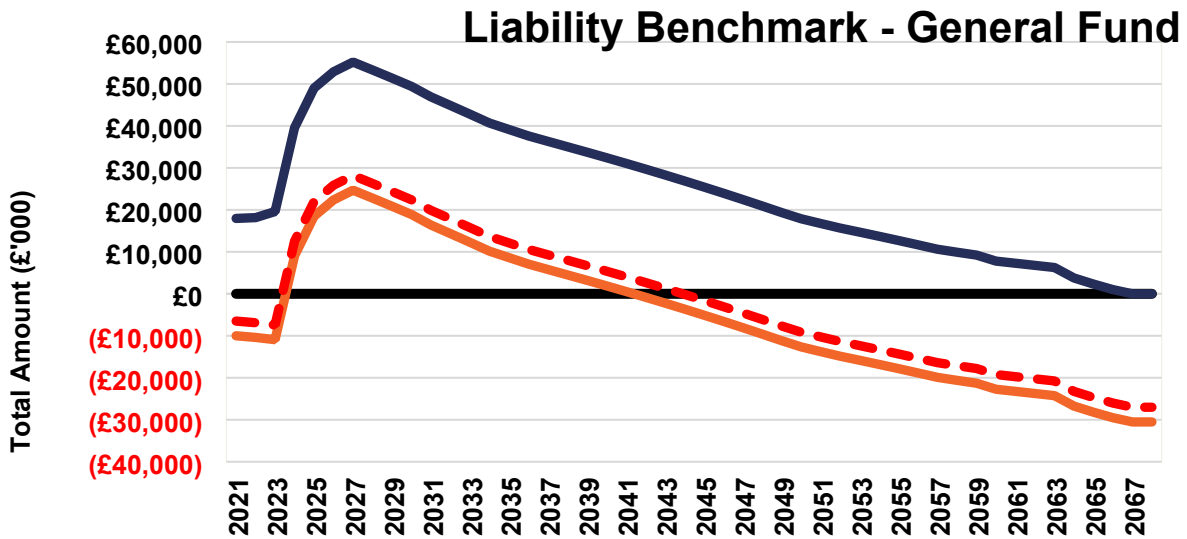
Capital Programme 2023/24	Original Budget £000	Revised Budget £000	Forecast Outturn (at Q2) £000
HOUSING REVENUE ACCOUNT (HRA)			
Construction of New Dwellings	11,501	15,747	10,927
Total Improvement to Stock	4,583	5,907	5,824
Adaptations for Disabled Tenants	415	206	-
Housing Estates Recreation and Play Areas	50	149	1
Total HRA	16,549	22,009	16,752
GENERAL FUND (GF)			
Housing Grants	1,135	1,486	1,226
Loans to Housing Companies	2,000	2,419	-
Stabilisation and Growth	20	878	313
Regeneration (see Note)	35,223	44,488	10,036
Asset Management	2,930	4,219	1,757
Indoor Leisure Facilities	2,159	3,215	619
Energy Schemes	500	524	-
Community Infrastructure Levy	900	1,486	195
Service Delivery (see Note)	6,331	6,597	5,625
Flood Alleviation	136	605	100
Coastal Defence Works	100	160	99
Parks & Pavilions	200	1,081	68
Open Spaces - Biodiversity	610	647	844
ICT Block Allocation	213	397	174
Finance Transformation	150	454	-
Total General Fund	52,607	69,726	21,055
Total Capital Expenditure	69,156	91,735	37,807

Note: Regeneration includes Newhaven Levelling Up Fund, Future High Streets Fund and Town Deal projects. Service Delivery includes Vehicle and Wheel Bin replacement.

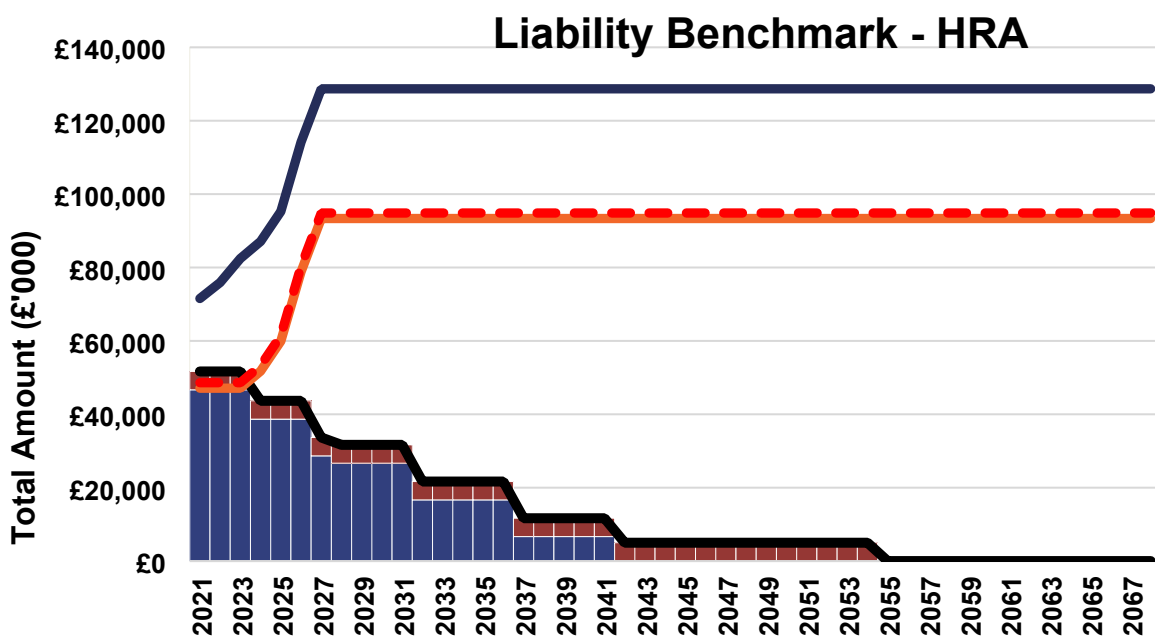
HRA Financing			
Capital Receipts	4,901	5,237	5,464
Grants & Contributions	1,935	2,185	-
Major Repairs Reserve	4,965	6,179	5,825
Revenue	100	100	-
Borrowing Need	4,468	8,308	5,464
Total HRA	16,549	22,009	16,752

GF Financing			
Capital Receipts	1,859	1,859	379
Grants & Contributions	29,888	37,875	12,032
Revenue	436	2,511	273
Borrowing Need	20,434	27,481	8,371
Total GF	52,607	69,726	21,055

Liability Benchmark Charts



- PWLB Loans
- LOBO Loans
- Variable rate loans
- Net Loans Requirement - HRA
- Liability Benchmark - HRA
- Market Loans (exc LOBO loans)
- Short Term inc LA Temporary Borrowing (<1 year)
- Existing Loan Debt Outstanding - HRA
- Loans CFR - HRA



GLOSSARY

Local Authority Treasury Management Terms

Term	Description
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.
Capital Financing Requirement (CFR)	A council's underlying need to hold debt for capital purposes, representing the cumulative capital expenditure that has been incurred but not yet financed. The CFR increases with capital expenditure and decreases with capital finance and Minimum Revenue Provision (MRP).
CIPFA	The Chartered Institute of Public Finance and Accountancy (CIPFA) is a UK-based international accountancy membership and standard-setting body.
Cost of carry	When a loan is borrowed in advance of need, the difference between the interest payable on the loan and the income earned from investing the cash in the interim.
Counterparty	The other party to a loan, investment or other contract.
Counterparty limit	The maximum amount an investor is willing to lend to a counterparty, in order to manage credit risk.
CPI	Consumer Price Index - the main measure of inflation for macroeconomic purposes.
Deposit	A regulated placing of cash with a financial institution.
Dividend	Income paid to investors in shares and collective investment schemes. Dividends are not contractual, and the amount is therefore not known in advance.
DLUHC	Department for Levelling Up, Housing and Communities supports communities across the UK to thrive.
DMO	Debt Management Office is an executive agency of HM Treasury responsible for debt and cash management for the UK Government lending to local authorities and managing certain public funds.
Equity	An investment which usually confers ownership and voting rights.
FTSE	Financial Times Stock Exchange – an important indicator of the health of the UK stock market and economy. The FTSE100 is an index made up of shares from the biggest 100 companies by market capitalisation.
GDP	Gross Domestic Product is the total monetary or market value of all the finished goods and services produced within a country in a specific time period.
Income Return	Return on investment from dividends, interest and rent but excluding capital gains and losses.
Gilts	A gilt is a UK government liability denominated in sterling, issued by HM Treasury and listed on the stock exchange.

Term	Description
LIBID and LIBOR	London interbank bid rate - the benchmark interest rate at which banks bid to borrow cash from other banks, traditionally 0.125% lower than 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. No longer in use, see SONIA below.
LOBO	Lender's Option Borrower's option.
MMF	A Money Market Fund is a type of mutual fund that invests in cash, cash equivalents and short term debt securities.
MPC	The Bank of England's Monetary Policy Committee (MPC) are responsible for making decisions about the bank rate.
Minimum Revenue Provision (MRP)	Minimum Revenue Provision (MRP) is the charge to revenue made in respect of paying off the principal sum of the borrowing undertaken to finance the capital programme.
OBR	The Office for Budget Responsibility gives independent and authoritative analysis of the UK's public finances. OBR is an executive non-departmental public body, sponsored by HM Treasury.
PMI	Purchasing Managers' Index (PMI) is an index of the prevailing direction of economic trends in the manufacturing and service sectors. Market conditions can be expanding, staying the same or contracting.
PWLB	Public Works Loan Board is 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.
Quantitative easing (QE)	Process by which central banks directly increase the quantity of money in the economy to promote GDP growth and prevent deflation. Normally achieved by the central bank buying government bonds in exchange for newly created money.
SONIA	Sterling overnight interest average – a benchmark interest rate for overnight deposits.
TMSS	Treasury Management Strategy Statement.

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Report to:	AUDIT AND GOVERNANCE COMMITTEE
Date:	13th November 2023
Title:	External Assessment of the work of the Internal Audit function
Report of:	Chief Internal Auditor
Ward(s):	All
Purpose of report:	To present to committee the results of the external assessment of the Internal Audit function
Officer recommendation(s):	That the information in this report be noted
Reasons for recommendations:	The remit of the Audit and Governance Committee includes the duties 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 Background

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect in April 2013 and were revised in 2017. Additional guidance for local authorities was included in the Local Governance Application Note (2013) – updated in 2019.
- 1.2 The PSIAS are intended to promote the further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 1.3 The PSIAS call for two types of assessments to be carried out of the work of Internal Audit. The first is internal assessments, this includes ongoing monitoring of the work of Internal Audit and periodic self-assessments. These are addressed by every audit carried out being reviewed against a checklist, and a full self-assessment against the PSIAS carried out annually, the results of which are reported to this committee.
- 1.4 The second type of assessment required is an external assessment. The PSIAS require these to be conducted at least once every five years by a qualified, independent, assessor or assessment team from outside the organisation.
- 1.5 When the PSIAS were first published, the Sussex Audit Group was still in existence. The group consisted of Heads of Audit from East Sussex and some West Sussex local authorities. It was found that the cost of having an external company/group to carry out the assessment would be quite expensive. The group therefore agreed to carry out reciprocal reviews. Under this agreement, Eastbourne had the external assessment carried out in 2016 and Lewes in 2018.
- 1.6 Since that time, the Internal Audit functions of Lewes and Eastbourne have joined together, meaning that only one external assessment now needs to be

carried out. This assessment would be required to be carried out sometime between 2021 and 2023.

- 1.7 However, since the last external assessments, the Sussex Audit Group has ceased meeting. This was brought about by retirements by several Heads of Audit and outsourcing of internal audit by some authorities. There was, therefore, no group that could be approached to carry out a further external assessment. Whilst that was the case, the Heads of Audit at Wealden District Council, Rother District Council, Hasting Borough Council and ourselves, discussed and agreed to carry out reciprocal external assessments. Hastings later pulled out of the agreement, but the Head of Audit at Chichester District Council asked to join in the agreement.
- 1.8 Under this agreement, the Chief Internal Auditor at Lewes and Eastbourne carried out the assessment for Rother District Council in March. The Audit Manager at Wealden District Council has now carried out the external review for Lewes District and Eastbourne Borough councils.

2 External Assessment 2023

- 2.1 The covering note for the assessment explains the process followed by the assessor and the overall outcome. The note is appended to this report along with the results of the review but it is also quoted here.
- 2.2 "In order to carry out this review a CIPFA (Chartered Institute of Public Finance and Accountancy) checklist has been used which incorporates the requirements of the PSIAS as well as the Local Government Application Note for the PSIAS (2019) in order to give comprehensive coverage of both documents in assessing conformance with the Standards."
- 2.3 "A range of Lewes District and Eastbourne Borough Council's Internal Audit documents and reports were reviewed to check conformity against the Standards and a meeting was held with the Chief Internal Auditor."
- 2.4 "Questionnaires were also sent to 11 senior managers and three Councillors. Responses were received from the Councillors and eight senior managers. The Chief Internal Auditor also completed a questionnaire."

3 Outcome and Recommendations

- 3.1 The result of the external assessment supports the results of the annual self-assessment carried out, in that the Internal Audit function Generally Conforms with the PSIAS.
- 3.2 The assessor made a total of eleven recommendations to improve the service and/or to conform with the PSIAS. Of the eleven made, the following is noted:
- Three were addressed as soon as raised during the review
 - Two require information to be added to the end of year report to committee, so will be addressed when that is written
 - Four require further work to address them and this is being arranged
 - One required consideration and was discussed with the Chief Finance Officer/s. 151 Officer
 - One recommendation was not agreed by the Chief Internal Auditor but was discussed with the Chief Finance Officer/s. 151 Officer
- 3.3 The comments made by the Chief Finance Officer/s. 151 Officer have also been included in the Remedial Actions table at Appendix C of the attached report.

3.4 The full report with covering note, findings and recommendations can be found at Appendix 1.

4 Future of the standards

4.1 It should be noted that the Institute of Internal Auditors has recently updated their standards on which the Public Sector Internal Audit Standards are based. These will be published in 2024 and become effective in 2025. As yet, no timescale has been given as to when CIPFA may update the Public Sector Internal Audit Standards.

5 Financial appraisal

5.1 None

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

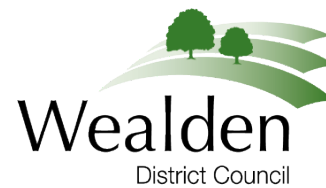
9.1 Not applicable.

10 Appendices

10.1 Appendix 1 – Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function.

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Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function



COVERING NOTE FOR THE PEER REVIEW OF LEWES DISTRICT AND EASTBOURNE BOROUGH COUNCIL'S INTERNAL AUDIT FUNCTION

The lead officers of the Internal Audit functions of Rother District Council, Chichester District Council, Wealden District Council, and Lewes District and Eastbourne Borough Councils have agreed to carry out reciprocal external assessments of the Internal Audit functions. This is to satisfy the requirement of the Public Sector Internal Audit Standards to have an external audit assessment carried out at least every five years.

In order to carry out this review a CIPFA (Chartered Institute of Public Finance and Accountancy) checklist has been used which incorporates the requirements of the PSIAS as well as the Local Government Application Note for the PSIAS (2019) in order to give comprehensive coverage of both documents in assessing conformance with the Standards.

A range of Lewes District and Eastbourne Borough Council's Internal Audit documents and reports were reviewed to check conformity against the Standards and a meeting was held with the Chief Internal Auditor. A summary of the outcomes from the assessment is included at Appendix B.

Questionnaires were also sent to 11 senior managers and three Councillors. Responses were received from the Councillors and eight senior managers. The feedback from these is summarised in Appendix D. The Chief Internal Auditor also completed a questionnaire and their ratings are shown for comparison purposes.

Some suggested remedial actions were identified through the process and are included in Appendix C. The overall finding is that Lewes District and Eastbourne Borough Council's Internal Audit function "**Generally Conforms**" with the Standards. Conformance definitions are attached for information at Appendix A.

Helen Jolley - Audit Manager
Wealden District Council
September 2023



PEER REVIEW OF

**LEWES DISTRICT AND EASTBOURNE BOROUGH
COUNCILS**

UNDERTAKEN BY

Helen Jolley, Audit Manager of Wealden District Council

COMPLETED

September 2023

Conformance Definitions

<p>Generally Conforms</p>	<p>It is concluded that the relevant structures, policies, and procedures of the Audit Service, as well as the processes by which they are applied, comply with the requirements of the individual Standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformance to a majority of the individual Standards or elements of the Code of Ethics, and at least partial conformance to the others, within the section/category. There may be significant opportunities for improvement, but these must not represent situations where the activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives. As indicated above, general conformance does not require complete/perfect conformance, the ideal situation, successful practice, etc.</p>
<p>Partially Conforms</p>	<p>It is concluded that the Audit Service is making good efforts to comply with the requirements of the individual Standard or element of the Code of Ethics, section, or major category, but has not achieved some major objectives. These will usually represent significant opportunities for improvement in effectively applying the Standards or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organisation.</p>
<p>Does Not Conform</p>	<p>It is concluded that the Audit Service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the objectives of the individual Standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board. Often, the most difficult evaluation is the distinction between general and partial. It is a judgment call keeping in mind the definition of general conformance above. Carefully read the Standard to determine if basic conformance exists. The existence of opportunities for improvement, better alternatives, or other successful practices do not reduce a generally conforms rating.</p>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

APPENDIX B

Summary of Assessment

Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
	Definition of Internal Auditing	✓			
	Core Principles		✓		See below: 2010 1110 1112
Ref	Code of Ethics				
1	Integrity	✓			
2	Objectivity	✓			
3	Confidentiality	✓			
4	Competence	✓			
Ref	Attribute Standards				
1000	Purpose, Authority & Responsibility		✓		The Charter does not include all requirements of the Standards.
1010	Recognising Mandatory Guidance in the Internal Audit Charter		✓		The Charter does not state that the Standards are mandatory and that Internal Audit must comply with them.
1100	Independence and objectivity	✓			
1110	Organisational Independence		✓		1) No evidence that the CAE confirms to the board, at least annually, that the internal audit activity is organisationally independent. 2) Adequate steps have not been taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
					inappropriately influenced by those subject to audit.
1111	Direct Interaction with the Board	✓			
1112	Chief Audit Executive Roles Beyond Internal Auditing		✓		The safeguards in place to limit impairments to independence or objectivity have not been periodically reviewed by the Audit Committees.
1120	Individual Objectivity	✓			
1130	Impairments to Independence or Objectivity		✓		The Auditors have confirmed if they have any declarations of interest, but the Audit Manager and CIA have not.
1210	Proficiency	✓			
1220	Due Professional Care	✓			
1230	Continuing Professional Development	✓			
1300	Quality assurance and improvement programme	✓			
1310	Requirements of the Quality Assurance and Improvement Programme	✓			
1311	Internal Assessments	✓			
1312	External Assessments	✓			
1320	Reporting on the Quality Assurance and Improvement Programme	✓			
1321	Use of Conforms with the International Standards for the Professional Practice of Internal Auditing	✓			
1322	Disclosure of Non-conformance	✓			
Ref	Performance Standards				
2010	Planning		✓		A documented risk assessment has not been completed as part of the annual planning process.

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
2020	Communication and Approval	✓			
2030	Resource Management	✓			
2040	Policies and Procedures	✓			
2050	Coordination and Reliance		✓		<p>1) An approach to using other sources of assurance has not been established.</p> <p>2) Meetings are not held regularly with the nominated external audit representative to consult on and coordinate respective audit plans.</p>
2060	Reporting to Senior Management and the Board	✓			
2070	External Service Provider and Organisational Responsibility for Internal Audit				Not applicable
2110	Governance	✓			
2120	Risk Management	✓			
2130	Control	✓			
2200	Engagement planning	✓			
2201	Planning Considerations	✓			
2210	Engagement Objectives	✓			
2220	Engagement Scope	✓			
2230	Engagement Resource Allocation	✓			
2240	Engagement Work Programme	✓			
2310	Identifying Information	✓			
2320	Analysis and Evaluation	✓			
2330	Documenting Information	✓			
2340	Engagement Supervision	✓			

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Ref	Public Sector Internal Audit Standards	Generally Conforms	Partially Conforms	Does not Conform	Comments – where Partial or No Conformance
2410	Criteria for Communicating		✓		1) Evidence of meetings with clients/agreement to the draft report are not always retained. 2) The risks of providing assurance to Council owned companies, along with the mitigations have not been articulated.
2420	Quality of Communications	✓			
2421	Errors and Omissions				Not applicable
2430	Use of 'conducted in conformance with the International Standards for the Professional Practice of Internal Auditing'	✓			
2431	Engagement Disclosure of Non-conformance				Not applicable
2440	Disseminating Results	✓			
2450	Overall Opinions		✓		A summary of the performance of the internal audit activity against performance measures and targets is not provided in the Annual Report.
2500	Monitoring progress	✓			
2600	Communicating the acceptance of risks				Not applicable

APPENDIX C

Remedial Actions

Section	Name	Area	Remedial Action	Target	Responsibility	Comments
1000 & 1010	Purpose, Authority & Responsibility	Charter does not cover all areas as per the Standards.	Amend Charter to encompass all requirements of the Standards.	Already being undertaken	CIA	AGREED The Charter has already been thoroughly updated. This will be given a full check over and then taken back to the audit committees for adoption.
1110	Organisational Independence	No evidence that the CAE confirms to the board, at least annually, that the internal audit Activity is organisationally independent.	Include reference to the internal audit activity being organisationally independent in Committee reports.	April 24	CIA	AGREED It is felt that this is made clear through the work and reports/comments throughout this year. However, for clarity, a statement will be added to the end of year report.
		Adequate steps have not been taken to safeguard the independence of the CAE by ensuring that remuneration or performance assessment is not inappropriately influenced by those subject to audit.	The Chief Executive should review and approve the CIA's annual appraisal /performance.			NOT AGREED <u>CIA RESPONSE TO BE CONSIDERED</u> It has historically been agreed that the Chief Executive and committee Chairs have opportunities at meetings to comment on performance and can raise issues directly with the Chief Finance Officer. It is not felt that this has ever been an issue, but it will be raised again and considered. <u>CFO COMMENT</u> The CIA has unrestricted and direct access to all strategic directors including the Chief Executive at any given point. To ensure appropriate strategic and management support, the CIA's appraisal and

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Section	Name	Area	Remedial Action	Target	Responsibility	Comments
						performance is reviewed and approved by the council's Chief Finance Officer (Director of Finance & Performance). The CIA attends Corporate Management Team meetings regularly where key internal control and risk management issues are discussed, reviewed and agreed at corporate level.
1112	Chief Audit Executive Roles Beyond Internal Auditing	The safeguards in place to limit impairments to independence or objectivity have not been periodically reviewed by the Audit Committees.	Committees are informed that there are safeguards and that they will be asked to review them periodically.	April 24	CIA	AGREED The Audit Charter has been updated to ensure that this is made very clear. The committees see the Audit Charter when it is updated/reviewed and they are informed of any safeguards when they are "activated". However, this will be added to the annual report as well.
1130	Impairments to Independence or Objectivity	The Auditors have confirmed interests to the Audit Manager. The Audit Manager and CIA have not made declarations.	The Audit Manager and CIA should make a declaration of any interests.	In Place	CIA	AGREED Following this being raised in this review, this has now taken place for the 2022-23 year and will be continued going forward.

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Section	Name	Area	Remedial Action	Target	Responsibility	Comments
2010	Planning	A documented risk assessment has not been completed as part of the annual planning process	The internal audit activity's plan of engagements should be based on a documented risk assessment.	April 24	CIA	<p>PARTIALLY AGREED</p> <p>There is no specific requirement in the standards for a risk assessment to be carried out, only that there be a risk-based plan. We do consider the risks to the council based on the strategic risk register and organisational objectives and priorities. However, we will record the decision-making process more thoroughly.</p>
2050	Coordination and Reliance	An approach to using other sources of assurance has not been established.	An assurance mapping exercise should be conducted periodically.	April 24	CIA	<p>PARTIALLY AGREED</p> <p>There is no specific requirement in the standards for an assurance mapping exercise to be carried out, only that there is a "consistent process". Therefore, consideration will be given to how we record our approach to using other sources of assurance.</p> <p>However, Auditors are required within the Quality Assurance checklist to request copies of external assurance provided as a standard requirement of the planning and scope stage of each audit.</p>
		Meetings are not held regularly with the nominated external audit representative to consult on and coordinate respective audit plans.	The CIA should have periodic meetings with external audit.	TBC	CIA	<p>AGREED</p> <p>There has been a reluctance on the part of the current external auditor to proactively communicate with the CIA. Every effort will be made to ensure that there are regular meetings with the new external auditors.</p>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Section	Name	Area	Remedial Action	Target	Responsibility	Comments
2410	Criteria for Communicating	Evidence of the manager's agreement to the draft report and their comments, either by email or by minutes of the closure meeting are not always retained.	Staff should be reminded of the need to retain records of discussions and client agreement to draft reports.	In Place	CIA	<p>AGREED</p> <p>The Internal Audit team have already been reminded that evidence of discussions and closure meetings must be retained.</p>
		The risks of providing assurance to Council owned companies, along with the mitigations have not been articulated.	Consideration of risks and mitigations, e.g. terms of reference are established for work providing assurance to Council owned companies.	April 24	CIA	<p>AGREED</p> <p>These risks have been considered and, where appropriate, the companies have been informed of possible conflicts of interest, independence, and objectivity. However, consideration is being given to writing audit charters for each.</p>
2450	Overall Opinions	A summary of the performance of the internal audit activity against performance measures and targets is not provided in the Annual Report.	Consideration should be given to summarizing the performance of the internal audit function against performance measures and targets in the Annual Report.			<p>NOT AGREED</p> <p><u>CIA RESPONSE</u></p> <p>The Standards themselves do not specifically require a summary of performance against targets. It is the Cipfa Application Note that says the annual report "should" include "a comparison of work actually undertaken with the work that was planned and a summary of the performance of the internal audit function against its performance measures and targets".</p> <p>It is felt that having a strict annual plan is no longer an option for an internal audit team. Internal audit must remain relevant and be flexible enough to be able to direct resources to issues as they</p>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Section	Name	Area	Remedial Action	Target	Responsibility	Comments
						<p>arise. In this way, internal audit is more able to give relevant assurance and add value where it is most needed.</p> <p>The work of internal audit is thoroughly reported quarterly and annually to committees who can therefore challenge any concerns they have with the amount of work carried out and the areas covered.</p> <p><u>CFO COMMENT</u></p> <p>Considering the pace and scope of change within local government, the councils' internal audit plan is developed and delivered on a risk based approach. This has allowed for a greater flexibility and focus in delivering the internal audit service by optimising the team's capacity and ability to match this pace of change.</p>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

APPENDIX D

Aggregated Questionnaire Results

Assessor Conclusion

The scores below are considered to be very positive and there are no recommended actions arising.

Standing and Reputation of Internal Audit	Do not agree	Partially Agree	Generally Agree	Fully Agree	Client Comments
The internal audit service is seen as a key strategic partner in the organisation.			2 1	9	The CIA regularly attends CMT and is well respected given her professional approach, judgement and knowledge. The Team's work on risk, audit and discretionary reviews are key to the Council's performance, financial sustainability and resilience.
Senior managers understand and fully support the work of Internal Audit.		1	2	9	My observation is that Internal Audit integrate and communicate with senior managers across the organisation. This has achieved a culture of positive working with the audit function.
Internal Audit is valued throughout the organisation.			4 1	7	I think some roles still see internal audit as something to be scared of and that they will try and change the way we do things. Sometimes Audit is perceived as a burden and CMT will continue to support the Team in changing that understanding.
The internal audit service is delivered with professionalism at all times.				11 1	And patience. Given the sometimes difficult briefs their professionalism is impeccable. Absolutely, professional yet personable.

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Impact on Organisational Delivery	Do not agree	Partially Agree	Generally Agree	Fully Agree	Client Comments
The internal audit service responds quickly to changes within the organisation.			2 1	9	The CIA and the Team constantly scan the context in which we are working and are proactive in responding.
The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.			9 1	1	<p>There have been vacancies, but these are being filled and new staff trained.</p> <p>I think at times resourcing has been an issue although not directly experienced.</p> <p>Sometimes difficulty in recruiting reduces capacity but the Team at full strength does have the resources to be effective.</p> <p><i>One client was unsure so did not score.</i></p>
The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes.				11 1	<p>Communication and reports are clear concise and constructive. These are followed up appropriately to ensure actions are completed. Where necessary, the CIA will use CMT to escalate.</p> <p>YES including timely follow up to check on progress against Action Plans resulting from audits.</p> <p>The feedback and reports are given in a very clear, unambiguous and straightforward manner.</p>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

<p>The internal audit service ensures that recommendations made are commercial and practicable in relation to the risks identified.</p>				<p>10 1</p>	<p>As much as possible for them to do so.</p> <p>The Team consider recommendations carefully in such a way to make them practical to implement thereby increasing the likelihood that they are.</p> <p>YES, very measured approach, taking into consideration real time opportunities, challenges and risks – resulting in realistic recommendations.</p> <p><i>One client was unsure so did not score.</i></p>
<p>There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service.</p>			<p>1</p>	<p>10 1</p>	
<p>Has Internal Audit had a positive impact on Governance, Risk and Control ?</p>	<p>Do not agree</p>	<p>Partially Agree</p>	<p>Generally Agree</p>	<p>Fully Agree</p>	<p>Client Comments</p>
<p>The internal audit service includes consideration of all risk areas in its work programme.</p>			<p>2</p>	<p>9 1</p>	<p>There have been some changes made to make some of these clearer.</p> <p>On a risk-based rolling programme.</p> <p>The Team are dynamic in considering the context including the assessment of existing and potential risks.</p> <p>YES, takes into consideration policies, procedures, people, money, the environmental and external challenges (govt and suppliers).</p>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Internal Audit advice has a positive impact on the governance, risk and the system of internal control of the 16rganization.			2	9 1	
Internal Audit activity has enhanced 16rganization-wide understanding of governance, risk and control.			4	6 1	The Audit team are an established and well-respected team that provide an integral part of our overall governance process. Amongst senior management yes but amongst lower tiers I am not sure staff fully understand. <i>One client was unsure so did not score.</i>
The internal audit service asks challenging and incisive questions which stimulate debate and improvements in key risk areas.			3	8 1	The Team's approach of both challenging and supporting Members and Officers encourages an open debate on risk. Yes, through positive and proactive engagement, active listening and recounting back their understandings.
The internal audit service raises significant control issues at an appropriate level in the organisation.				10 1	<i>One client was unsure so did not score.</i>
The organisation accepts and uses the business knowledge of internal auditors to improve business processes and meet strategic objectives.			4 1	6	Individual service areas sometimes are slow to implement some recommendations. In those cases CMT and senior managers provide Internal Audit with support to ensure that the value of Internal Audit is understood. <i>One client was unsure so did not score.</i>

Appendix 1: Peer review of Lewes District and Eastbourne Borough Councils' Internal Audit Function

Internal Audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation.			4 1	7	I don't think this is always the case.
Internal audit activity promotes appropriate ethics and values within the organisation.				10 1	Absolutely. <i>One client was unsure so did not score.</i>

Key

Aggregated client response – 11 responses

Chief Internal Auditor response

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Report to:	AUDIT AND GOVERNANCE COMMITTEE
Date:	13th November 2023
Title:	Internal Audit and Counter Fraud Report for the second quarter of the financial year 2023-2024 – 1st April 2023 to 30th September 2023.
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 second quarter of the financial year 2023-2024 – 1st April 2023 to 30th September 2023.
Officer recommendation(s):	That the information in this report be noted and members identify any further information requirements.
Reasons for recommendations:	The remit of the Audit and 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 during the second quarter of the financial year 2023-24.

2 Review of the work of Internal Audit carried out in the second quarter of the financial year 2023-24

- 2.1 During the quarter, work has continued on carrying out the annual reviews. Two reports were issued in final and another three in draft. Three further annual reviews are now at the stage of the fieldwork having been completed and draft reports are being written and checked. Work is beginning on five other annual reviews.
- 2.2 As explained at the last committee meeting, rather than carrying out full review of the 12 annual audits every year, half will have a full review and the other half a lighter touch review. The following year, the ones that received a light touch review will be given a full review. A light touch review consists of reviewing the

key controls in the area and also, a follow up of the recommendations made the previous year.

2.3 Appendix A lists all the audit reports issued during the quarter. The first table shows all the follow up reports issued and the second table is the list of all other audit reports issued.

2.4 Appendix B is the list of all the audits that are still subject to follow up reviews. It shows the results of all the 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.

2.5 Appendix C is a list of all outstanding recommendations and includes the latest responses from managers.

2.6 Of the reviews in Appendix B and C, the following is noted:

Business Continuity Plans (BCPs) – The Director of Tourism, Culture and Organisational Development was asked for an update on Tourism and Culture BCPs. The response received was that some areas have had their BCPs completed and the remaining areas are due to be completed in the next few weeks.

Arrears Collection – consideration is currently being given to centralising arrears collection services. Therefore, the outstanding recommendation will be followed up once a decision has been made.

2.7 As has been previously reported, the vacancy in the team has been successfully filled and the new member of the team is now undergoing on-the-job training and an external “Introduction to Internal Audit” course has also been booked.

2.8 However, the team was carrying this vacancy for half of the current year, and this has impacted on the number of audits the team have been able to carry out. Added to this there was a three-week absence of another member of the team owing to a family bereavement.

2.9 It has previously been explained that the aspiration for the team is to have all auditors trained to a similar standard. One auditor is undertaking IT Audit and IT Risk training as well as having completed a free course on risk management provided by the Open University. Another auditor has completed a course on Data Analytics provided by the Institute of Internal Auditors (IIA). The Audit Manager is studying for an Operational/Departmental Manager Apprenticeship and is attending a CIPFA course leading to a certificate in Data Science. The Audit Manager and an auditor are members of the core group running and championing the IIA’s Local Authority Data Analytics Working Group.

3 Review of the work of Counter Fraud carried out in the second quarter of the financial year 2023-24

3.1 The team continues to target the high risk and value areas impacting the council, in particular Tenancy and Revenue fraud. The team have also undertaken post assurance work on Energy Grants and begun assisting with multiple agencies in tackling Modern Slavery offences within our community.

3.2 One of the fraud team’s investigations was selected for the BBC ‘Fraud Squad’ series shown in September. The programme, which highlights Local Authority efforts to prevent, pursue and prosecute fraud offences, looked at a case involving a man who was charged with two counts of fraud by false representation. The man pretended to live in a 3-bedroom council property and claimed a Right to Buy discount on two occasions for £78,600 and £80,900. The

case was of particular interest to the BBC due to the level of detail obtained in the investigation and the use of covert surveillance. The property was returned to the Council, and the man received two 24-month prison sentences (suspended for 24 months). The case had also been reported in the Argus in May of 2022.

- 3.2 Housing Tenancy – the team continue to work closely with colleagues in Homes First and Legal Services. There are currently 31 ongoing sublet/abandonment tenancy cases at various stages. One property was returned to the council during this period generating a saving of £93,000. One other property was subject to a successful possession hearing at court, the council is now waiting on bailiff enforcement before this property returns to housing stock. Five other cases were closed during this quarter with no further action.
- 3.3 Right To Buy - After a quiet period at the start of the year there has been an increase in RTB applications from April 2023. This is, in part, related to the increase in the maximum discount which following the consumer price index now stands at £96,000. 34 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. Seven applications were withdrawn during this period following verification checks, resulting in a net preventative saving of £621,150 (including property survey costs).
- 3.4 Housing Applications – the team continue to work with the Housing Allocations team following their review of the Housing Register in 2023/24 which removed 592 applications, either due to withdrawal or no response. A new review will commence within the year with any highlighted fraud cases passed to the Counter Fraud team to investigate.
- 3.5 Housing Options/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. This included providing refresher training to staff around credit checks and land registry systems to verify and reduce error and fraud. One homeless placement was cancelled during this period following involvement by the Counter Fraud team, this created a £12,000 saving to the authority.
- 3.6 Energy Rebate Schemes - following the closure of the latest Energy Rebate Scheme, the team have commenced post assurance review of all the applications made and will liaise with the Government in their fraud and error reporting and payment verification work.
- 3.7 Council Tax – six 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 £8,365.72 generated for the authority and a preventative saving of £1,538.88. A review of Council Tax exemptions/discounts is ongoing and includes work with the National Fraud Initiative (NFI) matching data held between Council Tax Records and Electoral Register. 220 cases have been reviewed in this period with a net recoverable income of £15,886.89 generated from the removal of discounts along with a preventative saving of £25,893.10.
- 3.8 Council Tax Reduction – six cases were investigated during the quarter with one case resulting in a recoverable overpayment of £4505,28 and a preventative saving of £2,165.12.
- 3.9 National Non-Domestic Rates - two cases were investigated during this period following a discrepancy found with a previously claimed Covid-19 business grant, the investigations were closed with no further action.

- 3.10 Housing Benefit – the team continue to work closely with the Department for Work and Pensions (DWP) and colleagues in the benefit section. Due to resource restrictions and pressing need to assess Universal Credit applications, the DWP have limited their capacity to investigate Housing Benefit. Over this period, 39 cases were closed with a combined recoverable overpayment of £3,648.14 and preventative saving of £2,65.28.
- 3.11 National Fraud Initiative (NFI) – The 2023/24 is already underway with the team concentrating on discrepancies on the Council Tax side as detailed above.
- 3.12 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 DPA requests from the Police and other authorities.
- 3.14 Modern Slavery – the team have joined working operations with multiple Government Agencies and Sussex Police in tackling potential Modern Slavery offences across the district.
- 3.15 A table showing the savings made by the Counter Fraud team in the second quarter of 2023-2024 can be found at Appendix D.

4 Financial appraisal

- 4.1 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.

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 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.

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 Environmental sustainability implications

Not applicable

9 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 YEAR 2023-24**Follow Up Reports Issued In Current Year**

AUDIT	FOLLOW UP	DATE FOLLOW UP ISSUED	ASSURANCE LEVEL	
Business Continuity Planning	Sixth	10.05.23	Substantial	See Appendix B and C for details
Members Allowances	Fourth	19.05.23	Substantial	See Appendix B and C for details
Contract Management	First	05.06.23	Substantial	All recommendations addressed
Film Liaison Unit	Second	29.06.23	Substantial	See Appendix B and C for details
Rent Sense	Third	30.06.23	Substantial	See Appendix B and C for details
Love Clean Streets	Fourth	18.08.23	Substantial	All recommendations addressed
Construction Industry Scheme	Second	23.08.23	Substantial	See Appendix B and C for details

Audit Reports Issued In Current Year

AUDIT	FINAL DATE	FINAL ASSURANCE LEVEL	FIRST FOLLOW-DUE
Casual Workers	03.05.23	Partial	October 2023
Housing Rents – annual 2022-23	18.07.23	Substantial	-
Complaints	16.08.23	Partial	December 2023

Draft Reports Issued In the Current Year That Are Awaiting Responses

AUDIT	DATE DRAFT ISSUED
Managers' Responsibilities	30.06.23
Cloud Computing and Cyber Security	08.09.23
Housing Benefits – annual 2022-23	02.10.23

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.

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

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	May 23/July 23 Substantial
Arrears Collection	Jan 21	Partial	Sep 21	Partial	Jan 22	Partial	May 22	Substantial	Nov 22	Substantial	Jan 24		
Members Allowances	Jan 21	Substantial	Jul 21	Substantial	Dec 21	Substantial	Oct 22	Substantial	May 23	Substantial	Dec 23		
Love Clean Streets	Dec 21	Partial	May 22	Partial	Sep 22	Partial	Feb 23	Partial	Aug 23	Substantial			
Film Liaison Unit	Jan 22	Minimal	Sep 22	Minimal	Jun 23	Substantial	Oct 23						
Construction Industry Scheme	Feb 22	Partial	Feb 23	Partial	Jul 23								
Rent Sense	Sep 22	Partial	Nov 22	Substantial	Feb 23	Substantial	Jun 23	Substantial	Oct 23				
Casual Workers	Apl 23	Partial	Oct 23										
Complaints	Aug 23	Partial	Dec 23										

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RECOMMENDATIONS FROM AUDIT REPORTS WHICH REMAIN OUTSTANDING AFTER FOLLOW UP

COLOUR KEY

High Risk
Medium Risk
Low Risk

REPORTS ISSUED 20/21

AUDIT	Original Assurance Level	High	Medium	Low	Latest Follow Up Date	Number of Follow Up	Assurance Level at Follow Up	High	Medium	Low	Next Follow Up Due	Outstanding recommendations	Client Comment
Business Continuity Planning November 20	Minimal	4	0	0	10.05.23	Sixth	Substantial	1	0	0	Sep 23	Business Continuity Plans for every department must be completed and adopted as soon as possible. (6 months)	<p>Update July 23</p> <p>The Director of Tourism, Culture and Organisational Development had previously reported that it was intended to have the document for Theatres completed by the end of July. The one for Events was intended to be completed by the end of September. Is now stating that consideration is being given to transfer to a LACC so cannot write BCP until more information is known.</p> <p>Oct 23</p> <p>An update on areas of Tourism that will remain with the council has been requested from the Director of Tourism, Culture and Organisational Development.</p>
Arrears Collection	Partial	2	2	3	07.11.22	Fourth	Substantial	0	0	1	Jan 24	An overarching corporate arrears collection strategy must be drawn up and	<p>October 23 update</p> <p>The Interim Deputy Finance Officer has</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
January 2021												<p>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.</p> <p>(3 months)</p>	<p>explained that consideration is currently being given to centralising arrears collection services. Therefore, the outstanding recommendation will be followed up once a decision has been made.</p>
<p>Members Allowances</p> <p>January 2021</p>	Substantial	0	3	0	19.05.23	Fourth	Substantial	0	1	0	Dec 23	<p>All expenditure must be evidenced by official VAT receipts. Where expenditure includes VAT, reimbursement must be claimed through the creditors system.</p> <p>(1 month)</p>	<p>Audit Manager comment May 2023:</p> <p>Testing identified that claims for parking charges, which are subject to VAT, were submitted to, and paid by, Payroll rather than through the creditors system.</p> <p>Outstanding</p>

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
Film Liaison Unit January 22	Minimal	13	2	0	28.09.22	Second	Substantial	2	0	0	Oct 23	The permit cost schedule must be agreed by the council and any administration fees clearly defined within the contract. (3 months)	Work has started on updating the permit cost schedule, but details are yet to be finalised
												End of year reconciliation, between permits granted, invoices received from SFO and paid over the year, must be carried out. (1 month)	Permits have been reconciled but there is no evidence of a second officer signing off the reconciliation. A solution is being sought with Finance.

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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	Client Comment
Construction Industry Scheme February 2022	Partial	0	6	0	01.02.23	Second	Substantial	0	2	0	Jan 24	Procedures for CIS payments must be written up and regularly updated as directives from HMRC change. (6 months)	The Systems and Transactional Manager confirmed that procedure notes for CIS have not been written. Resourcing issues are currently impacting on the team's ability to undertake this work and therefore an estimated date for completion was not possible. It was suggested that it may require outside help

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
													in order to get these prepared.
												All relevant staff must be reminded / shown how to activate the CIS pop-up when setting up new suppliers on CAFi . (6 months)	All relevant staff must be reminded / shown how to activate the CIS pop-up when setting up new suppliers on CAFi .
Rent Sense September 2022	Partial	2	6	0	30.06.23	Third	Substantial	0	1	0	Oct23	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)	The operational risk assessment of Rent Sense is scheduled for April / May 2023

Appendix D – Quarterly report on Audit and Counter Fraud work

INCOME AND SAVINGS ACROSS THE FINANCIAL YEAR 2023-24

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	£186,000.00	0	£93,000.00	0	0	0	0	0	£279,000.00
Right To Buy value saved through intervention	0	£288,975.00	0	£621,150.00	0	0	0	0	0	£910,125.00
Housing intervention/fraud	0	0	0	£12,000.00	0	0	0	0	0	£12,000
Revenues										
National Non Domestic Rates	0	0	0	0	0	0	0	0	0	0
Council Tax	£727.84	0	£8,365.72	0	0	0	0	0	£9,093.56	0
Value of ongoing Council Tax increase per week	0	£1,033.60	0	£1,538.88	0	0	0	0	0	£2,572.48
Council Tax Penalties	0	0	0	0	0	0	0	0	0	0
CTR & Housing Benefit										
Council Tax Reduction	0	0	£4,505.28	0	0	0	0	0	£4,505.28	0
Council Tax Reduction weekly incorrect benefit	0	0	0	£2,165.12	0	0	0	0	0	£2,165.12
Housing Benefit	0	0	£3,648.14	0	0	0	0	0	£3,648.14	0
Housing Benefit weekly incorrect benefit	0	0	0	£2,265.28	0	0	0	0	0	£2,265.28
Income from Administrative penalty collection	0	0	0	0	0	0	0	0	0	0
National Fraud Initiative										
Overpayments identified	£6,265.90	0	£15,886.89	0	0	0	0	0	£22,152.79	0
Weekly incorrect benefit identified	0	£5,653.18	0	£25,893.10	0	0	0	0	0	£31,546.28
TOTALS	£6,993.74	£481,661.78	£32,406.03	£758,012.38	£0	£0	£0	£0	£39,399.77	£1,239,674.16

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

Strategic Risk Register (Lewes)

Report Type: Risks Report
Generated on: 23 October 2023



Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_021	No political and partnership continuity/ consensus with regard to organisational objectives.	Sudden changes of political objectives at either national or local level renders the organisation, its current corporate plan and Medium-Term Financial Strategy, unfit for purpose.	4	4	16	<u>Reduces Likelihood</u> 1. Create inclusive governance structures which rely on sound evidence for decision making. <u>Reduces Impact</u> 2. Annual review of corporate plan and Medium-Term Financial Strategy. 3. Creating an organisational architecture that can respond to changes in the environment.	Chief Executive	2	3	6	Amber	06-Feb-2024
SR_022	Changes to the economic environment makes the council economically less sustainable.	1. Economic development of the district suffers. 2. Council objectives cannot be met. 3. Council will need to provide a new service for inspecting imports at the port. 4. Inflation affecting council costs is having a significant impact on the council's finances.	5	5	25	<u>Reduces Impact</u> 1. Robust Medium-Term Financial Strategy reviewed annually and monitored quarterly. Refreshed in line with macroeconomic environment triennially. 2. Creating an organisational architecture that can respond to changes in the environment. 3. Working with the port authority to provide support, advice and to help explore funding options. <u>Reduces Likelihood</u> 4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.	Director of Finance and Performance (Chief Finance Officer – S.151 Officer)	4	5	20	Red	06-Feb-2024

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		<p>5. The council's Recovery and Stabilisation programme fails to meet its objectives.</p> <p>6. Rising energy prices and inflation affecting the cost of living will affect customers ability to pay rent and council tax.</p> <p>7. Uncertainty over government fiscal policies such as Fair funding review, Rent cap and Business Rate Reset.etc.</p> <p>8. Increased Homelessness presentations due to the economic situation, lack of available social housing and rising private sector rents, leads to an increased number that require prevention or place into emergency accommodation. This will have a detrimental impact on the resource required for prevention and the General Fund. The nightly paid accommodation budget will be impacted and more significantly the loss</p>				<p>5. Continuous monitoring and impact assessment of government fiscal policies.</p> <p>6. Responding to government consultation.</p> <p>7. Maintaining appropriate levels of earmarked provisions.</p> <p>8. Continuous review and monitoring of the council's Housing Revenue Business Plan in light of the recently introduced rent cap.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>9. Full action plan in place in the Housing Options and Wellbeing team with a target of a reduction of 100 placements by December 23. Creation of a physical Housing Hub, co-locating with partners to deliver a local, joined-up, preventative model. Lead the East Sussex Housing Partnership providing Health and Housing outcomes.</p>						

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		of Housing Benefit Subsidy will increase at the end of the financial year.										
SR_023	Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.	<ol style="list-style-type: none"> 1. Unsustainable demand on services. 2. Service failure. 3. Council structure unsustainable and not fit for purpose. 4. Heightened likelihood of fraud. 5. Failure to support Newhaven Port Authority in the changes could result in an economic downturn in the town. 6. Increased Homelessness presentations due to the economic situation, lack of available social housing and rising private sector rents, leads to an increased number that require prevention or place into emergency accommodation. This will have a detrimental impact on the resource required for prevention and the General Fund. The 	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> 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). 2. Ensuring community and interest group engagement in policy development (e.g. Neighbourhood Management Schemes; Corporate Consultation Programme). 3. Working with the Port Authority to provide support, advice and to help explore funding options. 4. Full action plan in place in the Housing Options and Wellbeing team with a target of a reduction of 100 placements by December 23. Creation of a physical Housing Hub, co-locating with partners to deliver a local, joined-up, preventative model. Lead the East Sussex Housing Partnership providing Health and Housing outcomes. 	Director of Service Delivery	3	3	9	Amber	06-Feb-2024

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		nightly paid accommodation budget will be impacted and more significantly the loss of Housing Benefit Subsidy will increase at the end of the financial year.										
SR_024	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	<u>Reduces Likelihood</u> 1. Changes increase non-financial attractiveness of the council to current and future staff. 2. Appropriate reward and recognition policies reviewed on a regular basis. <u>Reduces Likelihood and Impact</u> 3. Pursuit of mutually beneficial shared service arrangements. 4. Maximising flexibility around recruitment and retention.	Director of Organisational Development/ Director of Devonshire Quarter	5	2	10	Amber	06-Feb-2024
SR_025	Not being able to sustain a culture that supports organisational objectives and future development.	1. Decline in performance. 2. Higher turnover of staff. 3. Decline in morale. 4. Increase in absenteeism. 5. Service failure. 6. Increased possibility of fraud.	4	4	16	<u>Reduces Likelihood</u> 1. Build an organisational culture that supports equality and inclusivity through communication and support. <u>Reduces Likelihood and Impact</u> 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.	Director of Organisational Development/ Director of Devonshire Quarter	3	4	12	Amber	06-Feb-2024

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		7. The council's Recovery and Stabilisation programme fails to meet its objectives.				4. Regular monitoring of the progress and outcomes of the Recovery and Stabilisation programme.						
SR_026	Council prevented from delivering services for a prolonged period of time.	<p>1. Denial of access to property.</p> <p>2. Denial of access to technology/information.</p> <p>3. Denial of access to people.</p>	5	5	25	<p><u>Reduces Likelihood</u></p> <p>1. Adoption of best practice IT and Asset Management policies and procedures.</p> <p><u>Reduces Likelihood and Impact</u></p> <p>2. The council has created a more flexible, less locationally dependent service architecture.</p> <p><u>Reduces Impact</u></p> <p>3. Regularly reviewed and tested Business Continuity Plans and updated contingency plans actioned.</p> <p>4. Regularly reviewed and tested Disaster Recovery Plan.</p>	Chief Executive	2	4	8	Amber	06-Feb-2024
SR_027	Council materially impacted by the medium to long term effects of an event under the Civil Contingencies Act.	<p>1. Service profile of the council changes materially as a result of the impact of the event.</p> <p>2. Cost profile of the council changes materially as a result of the impact of the event.</p> <p>3. Work adversely affected by reduced staff numbers owing to effects of pandemic virus.</p>	5	5	25	<p><u>Reduces Likelihood and Impact</u></p> <p>1. Working in partnership with other public bodies.</p> <p>2. Robust emergency planning and use of council's emergency powers.</p> <p>3. Working with the Environment Agency on climate change measures.</p> <p><u>Reduces Impact</u></p> <p>4. Ongoing and robust risk profiling of local area (demographic and geographic).</p> <p>5. Review budget and reserves in light of risk profile.</p>	Chief Executive	2	3	6	Amber	06-Feb-2024

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
		4. Emergency caused by a climate change event (e.g. increased flooding risks)				6. Funds set aside to help fund responses to an event. <u>Reduces Likelihood</u> 7. Adoption of, and action taken to implement, the council's Climate Change and Sustainability Strategy.						
SR_028	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. 4. All managers are required to abide by the council's procurement rules. <u>Reduces Likelihood and Impact</u> 5. Building relationships with regulatory bodies. 6. Develop our Performance Management capability to ensure early intervention where service and/or cultural issues arise. 7. Ensure that fire risk regulations are adhered to and that Fire Risk Assessments are regularly reviewed.	Chief Executive	2	4	8	Amber	06-Feb-2024

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
SR_029	Commercial enterprises and investments do not deliver financial expectations or do not meet governance requirements.	<ol style="list-style-type: none"> 1. Unfamiliar activity with staff inexperienced in this area 2. Council finances affected if projects do not meet financial expectations. 3. Reputational damage if governance procedures are inadequate. 4. Failure to abide by company law. 	5	5	25	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 1. Hire suitably qualified/experienced staff to give legal and specialist support. 2. Up, or re, -skill staff to maximise commercial opportunities. <p><u>Reduces Likelihood and Impact</u></p> <ol style="list-style-type: none"> 3. Ensure that projects meet core principles. 4. Ensure governance processes are set up and adhered to. 	Director of Regeneration and Planning And Chief Executive	3	3	9	Amber	06-Feb-2024
SR_030	The council suffers a personal data breach by inadequate handling of data or by an IT incident.	<ol style="list-style-type: none"> 1. Trust and confidence in the council is negatively impacted. 2. Deterioration of financial position as a 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	<p><u>Reduces Likelihood</u></p> <ol style="list-style-type: none"> 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. 6. Ensure the suite of IT policies is kept up to date. 7. Ensure that IT security is in place and regularly tested. 	Chief Executive	2	4	8	Amber	06-Feb-2024

Appendix A - Strategic Risk Register

Code	Title	Description	Likelihood	Impact	Original Risk Score	Internal Controls	Risk Owner	Likelihood	Impact	Current Risk Score	Traffic Light	Next Review Date
						<u>Reduces Impact</u> 8. Incident management procedures to mitigate loss or breach of data are in place.						

Report to: Audit and Governance Committee

Date: 13th November 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 and after an election.

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 October 2023 Review

- 3.1 The Strategic Risk Register was taken to Corporate Management Team on 18th October 2023 for the quarterly review.
- 3.2 The Corporate Management Team reviewed the risk scores for all the risks and considered that the scores should remain at their current levels based on the cost of living crisis and issues with recruitment.
- 3.3 Consideration was also given to the risk around the cost of Homelessness to the council. It was agreed that this risk needed to be recorded in the risk register but that it should be included as a description and a mitigating action under two existing risks.
- 3.4 The two risks in question are SR_022 Changes to the economic environment makes the council economically less sustainable and SR_023 Unforeseen socio-economic and/or demographic shifts creating significant changes of demands and expectations.
- 3.5 Under each risk the following description and mitigating action have been added:

Description:

Increased Homelessness presentations due to the economic situation, lack of available social housing and rising private sector rents leads to an increased number that require prevention or place into emergency accommodation. This will have a detrimental impact on the resource required for prevention and the General Fund. The nightly paid accommodation budget will be impacted and more significantly the loss of Housing Benefit Subsidy will increase at the end of the financial year.

Mitigating action:

Full action plan in place in the Housing Options and Wellbeing team with a target of a reduction of 100 placements by December 23. Creation of a physical Housing Hub, co-locating with partners to deliver a local, joined-up, preventative model. Lead the East Sussex Housing Partnership providing Health and Housing outcomes.

- 3.6 The Strategic Risk Register can be seen at Appendix A.

4. Financial appraisal

- 4.1 There are no financial implications arising from this report.

5. Legal implications

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

6. Risk management implications

- 6.1 If the Council does not have an effective risk management framework that is subject to proper oversight by Councillors it will not be able to demonstrate that it

has in place adequate means to safeguard Council assets and services, and it could be subject to criticism from the Council's external auditor or the public.

7. Equality analysis

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

8. Appendices

8.1 Appendix A - Strategic Risk Register

9. Background papers

9.1 None

Jackie Humphrey

Chief Internal Auditor

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