

Audit Committee Agenda

Thursday, 26 June 2014 at 6.00 pm

Town Hall, Queen's Square, Priory Meadow, Hastings, TN34 1QR

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AUDIT COMMITTEE 10 MARCH 2014

Present: Councillors Birch, Clark (Chair), and Poole

Absence was noted for Councillors Cooke and Davies.

20. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

21. MINUTES

RESOLVED – (unanimously) that the minutes of the meeting held on 15 January 2014 be approved and signed by the Chair as a true record.

22. GRANT CLAIMS AND RETURNS CERTIFICATION (YEAR ENDED 31 MARCH 2013)

The Head of Finance submitted his report to consider matters raised by the Council's External Auditors (BDO) in respect of their work associated with the certification of grant claims submitted by Hastings Borough Council for the Year Ended 31 March 2013.

The report was presented in compliance with the requirements of the Audit Commission to present an annual report to those charged with governance on the results of their certification of work.

Robert Grant, BDO partner, was in attendance at the meeting and presented the report. He informed the Committee that owing to the level of errors proportionate to the sample examined and over all categories of claim, the housing and council tax benefit subsidy claim was certified with an extensive qualification letter. The final decision on the amount of subsidy to be paid to Hastings Borough Council for 2012/13 claim is awaited.

Councillor Poole raised concern that 12% of the sample checked was incorrect. She asked what effect migration to Universal Credit would have.

Robert Grant said they found a number of 'Classification errors' which although do not affect the claimants entitlement, they do affect the grant claim and therefore need to be addressed. In the future, he said he would want to see strengthening of the checking process. He also commented that several cases had been so complex that the Auditors had to contact the Housing Benefits, Council Tax and National Non-Domestic Rate Software Supplier to resolve them and this added to delays.

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The Head of Finance confirmed that there were around 13,000 claims and 22,000 changes of circumstances. Errors arose in the complexities of the software, so Hastings Borough Council was not the only authority that had been affected. The number of supervisory checks had been reduced in 2013 to allow staff to deal with new changes in legislation.

Councillor Poole asked what level of checking was undertaken on a daily basis.

The Head of Finance explained that one of the 3 categories of error centred around Bed & Breakfast cases. Bed & Breakfast cases account for only a very small portion of the grant claim and steps had now been taken to look at every Bed & Breakfast claim from start to finish for the last year.

Councillor Birch was concerned that our Housing Benefits System Software may have contributed to some of the errors detected and enquired what officers were doing about this.

The Head of Finance confirmed that key staff at our Housing Benefits, Council Tax and National Non-Domestic Rate Software Supplier, were involved in programming the system for Universal Credit. Immediate changes in National Non-Domestic Rate meant they were under pressure to complete. He explained that it was not necessarily a system fault, but how it is operated and how staff are trained to use it. Temporary staff currently employed in Housing Benefits, were not always familiar with cross boundary local housing allowances. It would be a big decision to change supplier and therefore it has to remain a compromise.

Robert Grant informed the committee that the Housing Benefits, Council Tax and National Non-Domestic Rate Software system that Hastings Borough Council uses is a national system used by a high proportion of local authorities and that the difficulties with the system may continue because of the complex issues in Hastings. Other software companies have their own idiosyncrasies.

Councillor Clarke asked if there was a need for a complex scenario team to deal with difficult cases.

The Head of Finance confirmed that there are Team Leaders who are experienced assessors and deal with the complex applications. However, the Team Leaders have had to assist with a new applications system ATLAS, for uploading changes on Department for Works and Pensions systems to ours. He said he had been assured that the latest review had now pushed up the quality of testing and other areas of need.

Councillor Clarke asked what number of claims were complex cases.

The Head of Finance clarified that 4,020 claims were from pensioners but working age claimants were more complex. Out of 7,000 - 8,000 claims, 1,300 were more complex,

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notably the ones in rented accommodation or Bed & Breakfast in or outside the Borough.

Councillor Clarke asked if it would be possible to employ the contract staff under fixed term employment until Universal Credit is brought in, given that contract staff are on a higher fee.

The Head of Finance said the contract staff do not pick up redundancy costs and have reduced administration costs by a third. The six contract staff were excellent and the performance was as a result of employing those people. Some contract staff work remotely at a lower rate, so it is not expensive. The Council Tax reduction team will change resources more as well as part of the service review.

Councillor Birch asked whether Hastings Borough Council had ever previously received a qualified report before and the Head of Finance confirmed that last year's report had been qualified also.

Councillor Clarke asked for a report based on the service and sample testing to be brought to the committee in 6 months time.

The Head of Finance agreed to this request.

RESOLVED – (unanimously) that the Audit Committee:

- a) accept the External Auditor's Report on Grant Claim and Returns Certification for the year ended 31 March 2013.**
- b) that a report on the progress on implementation of the recommendations accepted in appendix II of the main report are reported to this committee in 6 months time.**

23. EXTERNAL AUDIT PLAN 2013/14 TO THE AUDIT COMMITTEE (AUDIT FOR THE YEAR ENDED 31 MARCH 2014)

The Chief Auditor presented his report on the External Audit Plan 2013/14. The report provided an update of BDO's audit plan for the audit of the Council's accounts and Value for Money arrangements. The plan identified the significant risks along with planned work in response to those risks. It also provided a timetable and proposed fee for work undertaken.

Robert Grant, BDO partner, presented the Plan. He informed the committee of three significant risks: Management override Inherent Risk; Revenue Recognition, and East Sussex Joint Waste Partnership.

Furthermore, it was noted that savings of 4.9million had been identified. The summary of findings will be produced in the Annual Audit letter in October 2014.

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Councillor Clarke asked if the Joint Waste Partnership produced its own set of accounts. Robert Grant advised that there was not a requirement for this.

RESOLVED – (unanimously) that the Audit Committee accept the External Auditors Plan 2013/14.

24. INTERNAL AUDIT PLAN 2014/15

The Chief Auditor presented his report on the internal audit plan for 2014/15. The plan will ensure that proper financial management arrangements and controls are in place and operating effectively in the Council.

Councillor Clarke asked if the current disaster plan for staff was working. The Head of Finance confirmed that it was incorporated in last years Audit Plan and that our own contingency arrangements do work and are constantly reviewed and updated. Furthermore, he added that Hastings Borough Council had partnered with ESCC to provide greater resilience.

RESOLVED – (unanimously) that the Audit Committee approves the plan.

(The Chair declared the meeting closed at 6.45pm)

Agenda Item No: -

Report to: Audit Committee

Date of Meeting: 26 June 2014

Report Title: Corporate Risk Register

Report By: Richard Homewood
Director of Environmental Services

Purpose of Report

To inform Members of the current Operational Risks identified for Hastings Borough Council and the measures put in place to avoid or mitigate those risks.

Recommendation(s)

- 1. To acknowledge the risks identified in the report and comment as appropriate.**

Reasons for Recommendations

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Corporate Risk Register is to be reviewed by the Audit Committee each year.

Introduction

Background

1. Details of the methodology and terms commonly used were included in the first report presented at the 27 September 2010 meeting and the process for reviewing the Corporate Risk Register is now embedded.
2. The Corporate Risks tend to be more significant than Operational ones and so in order to maintain focus, this report is dedicated to the Corporate Risks only. The Operational Risk Register, however, is being separately presented but at the same Audit Committee meeting to enable a holistic view of all risks facing the council.
3. The Corporate Risk Register is intended to give the Audit Committee and Corporate Management Group a helicopter view of the potential threats to the Council and the danger each one represents. The processes involve: -

Assessment and monitoring of a risk to the Council

The probability of the risk occurring

The impact to the Council should it occur

The Council's ability to avoid or reduce the impact

Whether the costs of preventative action are justified

4. The reason for reviewing these risks in this way is to manage risks that could potentially: -

Inhibit the Council's ability to operate effectively or efficiently,

Damage the reputation of the Council and/or affect funding opportunities/grants,

Put the Council at risk from legal proceedings

5. The main purpose of this report is that the status of all corporate risks is reviewed and changes in the level of perceived risks are monitored.

Main changes to risks in the past year

New risks

6. 5 new risks have been added since the register was last presented on 27 June 2013. One of these was transient and concerned the Co-operative bank's announcement to withdraw from local authority business. However, the contract was mutually extended within days of the announcement providing the council with more time to seek an alternative bank. The second new risk follows the legal outcome of the council's use of Emergency Powers to close the pier in 2006. The

third new risk is an evolving risk and concerns the major refurbishment of Aquila House and the probable disruption that may have on service performance and the fourth new risk, an extension of extreme weather, concerns incidents of landslide and rock falls. Lastly, bathing water quality has been added to the Corporate Register because of the potential strategic impact it could have if it fails to meet the new EU standard by 2015, although there are a lot of mitigation measures being put in place.

Removed risks

7. In addition to the transient risk described in paragraph 6 above, 2 risks relating to securing a future for the pier and to the transfer of on-street parking enforcement to ESCC last year, have been deleted as they have been managed and no longer apply.

Other changes to risks or their risk ratings

8. The risk of breakdown in contractor performance (risk 9) rose to High2 temporarily towards the end of November 2013 when our cash collector defaulted. We successfully transferred to a new contractor and the original risk rating restored.
9. The potential risk of Community Right to Challenge has been downgraded to low following lower activity than anticipated.

Highest risks to the Council

10. These very highest risks to the Council are those that are of high likelihood and would have a high impact. These are denoted as High2 at appendix A and are:

High2 Reductions in Government funding

High2 Changes in Central Government policy and decision making and changes In European Legislation which impact on the Council

High2 Partnership regeneration programme remain uncompleted or stalled due to a lack of funding and focus.

High2 Increased economic/social deprivation as a consequence of economic constraints on public spending

11. Potential risks that would have a high impact and medium probability of occurring are denoted by High1 and those that would have a medium impact but high chance of occurring are denoted as High3 at appendix A. Since these are still high potential risks for the Council but not as high as those at High2 above, they are listed overleaf:

- High1 Insufficient capacity / Organisational change whilst maintaining service delivery.
- High1 Loss of key staff / skills / knowledge
- High1 Risk of a successful legal challenge with additional emphasis around the Planning Process which has emerged as more open to challenge
- High1 Ineffective Project Control
- High1 IT Systems/data loss. (IT Systems exposed to some vulnerability. Data loss is better protected through regular frequent back-ups)
- High1 Severe Business Disruption
- High1 Use of emergency and other powers may be subject to compensation Payment
- High1 Bathing water quality fails to meet new EU standard deadlines (2015)
- High3 Extreme weather: Drought/Rain/Snow/high winds and landslip

12. The mitigating actions to the above risks are monitored monthly and are formally reviewed every quarter.

14. The detailed Corporate Risk Register can be found at appendix A.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

Officer to Contact

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CORPORATE RISK REGISTER

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	<p>Reductions in Government Funding.</p> <p>Impact of economic climate and government spending reduction.</p>	<p>High</p> <p>High</p>	<p>High</p> <p>High</p>	<p>High2</p> <p>High2</p>	<p>Council unable to deliver Corporate Plan objectives. And maintain services.</p> <p>Loss of income. Increased service demand. Corporate regeneration priorities not delivered. Land disposal programme capital receipts reduced.</p>	<p>Political Leadership / Chief Officers</p> <p>Political Leadership / Chief Officers</p>	<p>PIER Review, budget process, medium term financial plan, adequate level of resources.</p> <p>Reprioritisation of service provision. Review the Corporate regeneration priorities. Adjust the capital spending programme.</p>
2	<p>Changes in Central Government policy and decision making and changes in European Legislation which impact on the Council.</p>	<p>High</p>	<p>High</p>	<p>High2</p>	<p>Changes over which the Council has no control could happen. Changes in responsibilities and role of District/Borough Councils. Loss of income. New demands.</p> <p>Very little Council can do to influence European legislation.</p> <p>Impact on contracts and tendering.</p>	<p>Political Leadership / Chief Officers</p>	<p>Identify and compliance with changes. Reprioritisation and reallocation of resources.</p>
3	<p>Partnership regeneration programme remain uncompleted or stalled due to a lack of funding and focus.</p>	<p>High</p>	<p>High</p>	<p>High2</p>	<p>Loss of private sector investment. Regeneration programme stalls.</p>	<p>Political Leadership / Chief Officers Partner Organisations</p>	<p>Active participation in LEP. Seek alternative funding to maintain programme. Actively seek inward investment. Active involvement in Task Force and ESEID.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Respon-sibility for controls	Steps to mitigate risk, time frame for implementation and latest position
4	Increased economic/social deprivation as a consequence of economic situation, constraints on Public Spending and changes in welfare benefit systems.	High	High	High2	<p>Increased pressure on HBC services including benefits and homelessness; increased poverty and deprivation; negative impact on community cohesion. Adverse impact on Council Tax collection rate. Less Housing Benefit paid More pressure on DHP fund Migration from London Boroughs</p> <p>Potential impact on homelessness presentations and acceptances, including temporary accommodation usage.</p>	Political Leadership / Chief Officers	<p>Maintain partnership working. Widen partnership working. Seek all external economic development financial opportunities. Anti poverty Strategy.</p> <p>Performance targets for homelessness reviewed and agreed. Additional financial support for prevention measures supported through Discretion HB payments etc. Review and monitoring of staff capacity to be carried out mid year.</p>
5	Insufficient capacity Organisational change whilst maintaining service delivery.	Medium	High	High1	Financial and reputational. Failure to deliver corporate objectives. Service standards slip. Efficiencies not met.	Political Leadership / Chief Officers / HoS	Review strategic priorities. Effective prioritisation. Acceptance of limitations on capacity.
6	Loss of key staff / skills / knowledge.	Medium	High	High1	Loss of resilience. Loss of capacity to deliver services.	Chief Officers / POD	Succession planning. BCP resilience. Recruitment/Retention Policy. Training Support mechanisms. Staff retention strategy developed by POD.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Respon-sibility for controls	Steps to mitigate risk, time frame for implementation and latest position
7	Risk of a successful legal challenge with additional emphasis around the Planning Process which has emerged as more open to challenge.	Medium	High	High1	Financial penalty. Reputational damage.	Chief officers / HoS / Political Leadership	Access to and provision of timely legal advice at all stages and levels. Legal overview of council activity maintained. Specialist Legal Planning Advice appropriately triggered for a response. Maintain high quality Development Control Service.
8	Deterioration of the Council's assets	Low	High	Medium3	Financial Loss. Reputational Loss. 3 rd Party Public Liability Failure to attract new tenants	Chief Officers / HoS	Adequate level of reserves. Appropriate maintenance schedules and programmes. Ensuring tenancy obligations are met. Adequate security Insurance
9	Contractual Partnerships: Breakdown in contractor performance. Contract fails to incentivise. Sole supplier – especially in the case of the Building Control partnership agreement, Waste/Street cleansing contract and Public Convenience cleaning contract.	Medium	Medium	Medium2	Failure to achieve corporate objectives. Financial and reputational loss. Failure to deliver corporate objectives. Additional drain on officer's time on dispute resolution.	Chief Officers / HoS	Regular review and monitoring of Contracts and Service Level Agreements combined with firm contract management. Appropriate Governance arrangements. Development and implementation of Audit Plan.
	Non-Contractual Partnerships: Ineffective partnership working. Council fails to gain benefits from partnership working.	Low	Medium	Medium1	Failure to achieve corporate objectives. Financial and reputational loss. Failure to deliver corporate objectives.	Chief Officers / HoS	Regular review and monitoring Service Level Agreements. Appropriate Governance arrangements. Development and implementation of Audit Plan.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Respon-sibility for controls	Steps to mitigate risk, time frame for implementation and latest position
10	Deterioration of the Town's assets	Low	High	Medium3	Town assets include history, culture etc. If a town asset fails then it is a reputational risk for HBC but not strictly within the Council's remit. Additional demands on financial reserves. Adverse impact on tourism.	Political Leadership / Chief Officers / External Partners / Private Sector	Planning and Conservation. Enforcement. Attract inward investment through regeneration programme.
11	Ineffective Project Control	Medium	High	High1	Projects overrun in time/budget. Reputational.	Operational Board / Project Sponsors	Use Kirklees project management methodology. Effective project monitoring by CMG. Regular Risk Reviews by Audit team. Ensure appropriate project management expertise.
12	IT Systems loss (IT Systems exposed to some vulnerability). Data loss (protected through regular frequent back-ups).	Medium Low	High High	High1 Medium3	Loss of power supply. Hardware failure. Viral attack.	Chief Officers / HoS Chief Officers / HoS	Regular maintenance and inspection of building services. Business Continuity and disaster Recovery plans in place and tested. Back up data systems in place to protect data.
13	Serious Breaches of Health and Safety legislation	Low	High	Medium3	Serious Injury/death. Reputational damage. Prosecution. Civil litigation. Financial penalties.	Chief Officers / All Staff	Maintenance and implementation of effective health and safety management systems including regular inspections and reviews. Implementation of effective health and safety training and awareness programme.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Respon-sibility for controls	Steps to mitigate risk, time frame for implementation and latest position
14	Severe Business Disruption	Medium	High	High1	Service failure. Reputational damage.	Chief Officers / HoS	Robust Business Continuity Plans (BCP's) in place. Regular testing of BCP's.
15	Delayed service provision at first point of contact (Community Contact Centre)	Low	Medium	Medium1	Reputation of the council undermined Impact on service delivery	Chief Officers / Head of Corporate Services	Review of current service provision Stewardship of resulting action plan
16	Extreme weather <ul style="list-style-type: none"> • Drought • Rainfall • Snow and high winds • Landslip and other natural hazards on coastal cliffs 	High	Medium	High3	Impact on local economy and on council's business operations Flood damage to property and land Disruption to services Loss of life / serious injury Damage to property Loss of access / amenity Financial impact Reputation undermined	Chief Officers/HoS	Strengthened water conservation measures in place and further measures under investigation Surface water management action plan in place Severe weather management action plan in place Bi-annual programme of inspection and remedial action. Maintain existing controls in place (catch fences, signage, barriers) Reporting system in place with other relevant stakeholders.
17	Localism Act – Community Right to Challenge	Low	Low	Low2	Noticeable degradation of certain council services and exit costs where a community organisation takes over a service but doesn't have the capability.	Chief Officers/HoS	Careful but fair vetting procedures

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Respon-sibility for controls	Steps to mitigate risk, time frame for implementation and latest position
18	Use of emergency and other powers may be subject to compensation payment	Medium	High	High1	Financial loss including payment of compensation and possibly legal costs	Chief Officers/HoS/Chief Legal Officer	Alternative legal power Check with Chief Legal Officer
19	Disruption to service during Aquila House refurbishment	Medium	Medium	Medium2	Service performance	Chief Officers/HoS	Planned approach Temporary alternative office accommodation
20	Bathing water quality fails to meet new EU standard by deadlines (2015)	Medium	High	High1	Loss of tourism income. Reputational damage. Extensive operational precautions required.	Chief Officers/HoS	Working with partners to address known problems. Project initiated and funded by the Environment Agency focussing on: Missed connections, de-silting ponds, magic sponge and community engagement (HVA). Discussion also initiated to commence feasibility study into other options including long-sea outfall.

Agenda Item No: -

Report to: Audit Committee

Date of Meeting: 26 June 2014

Report Title: Operational Risk Register

Report By: Richard Homewood
Director of Environmental Services

Purpose of Report

To inform Members of the current Operational Risks identified for Hastings Borough Council and the measures put in place to avoid or mitigate those risks.

Recommendation(s)

- 1. To acknowledge the risks identified in the report and comment as appropriate.**

Reasons for Recommendations

As part of the Corporate Risk Management Strategy agreed by Cabinet, the Operational Risk Register is to be reviewed by the Audit Committee each year.

Introduction

Background

1. The Service Operational Risk Registers are subject to a routine monthly review and rigorous quarterly assessment at the relevant Departmental Management Team meetings. Any significant revisions to the Risk Assessment are fed into the quarterly meeting of the Corporate Risk Management Group. In accordance with the Risk Management Strategy, the combined Operational Risk Register is reviewed by the Audit Committee each year. It was last reviewed by the committee on the 27 June 2013 meeting alongside the Corporate Risk Register to enable a total view of all risks facing the council.
2. The Operational Risk Register is intended to give the Audit Committee and Corporate Management Group a detailed view of the potential threats to the Council at operational level, the danger each one represents, and the mitigation measures that have been put in place to minimise any impact. The processes involve: -
 - Identifying a risk to the Council;
 - Assessment of the probability of the risk occurring;
 - Monitoring of that risk;
 - Assessing the impact to the Council should it occur;
 - Identifying measures to mitigate that risk or avoid it;
 - Whether the costs of mitigation are justified.
3. The reason for reviewing these risks in this way is to manage risks that could potentially: -
 - Inhibit the Council's ability to operate effectively or efficiently,
 - Damage the reputation of the Council and/or affect funding opportunities/grants,
 - Put the Council at risk from legal proceedings
4. There are frequent changes to the Operational Risks and particularly to the sensitivity of some of them during the monthly and quarterly reviews. The Risk Management process fully recognises this and so there are procedures in place for highlighting these to the Audit Committee much sooner if necessary including although not restricted to, reporting through audit and other inspection reporting.
5. The detailed Operational Risk Register can be found at Appendix A.

Feedback on main changes to risks in the previous year

6. Whilst there has been a lot of activity in the council since the Operational Risk Register was reviewed by the Audit Committee 12 months ago, the register has remained essentially the same.
7. One significant risk that did rise to high/high was risk 2 under Finance - the cash collection contract. Members were kept apprised and the council changed its service provider. The risk is now normalised.
8. A new risk of landslide, landslip, rock falls and other natural hazards on both coastal cliffs and those inland has been added and is a complex risk.
9. A further new emerging risk concerns what will happen with fraud administration following the transfer of Hastings BC Investigations staff to the DWP Single Fraud Investigation Service on 1st November 2014.
10. A relatively small number of risks have evolved into something different but the core risk has remained the same.

Other changes to risk ratings

11. Further work has been undertaken during the last 12 months refining the operational risk register. The number of highest risks is 5.

Highest risks to the Council

12. The highest risks to the Council are those that have an overall rating of high/high in the current Operational risk Register. They are as follows in no particular order:
 - Reduction/Loss of Government Grant (budget deficit) in 2015/16 and beyond.
 - Loss of key staff: Turnover / Redundancy / Retirement
 - An aging analogue CCTV system suffers serious failure
 - Reputational risk of a bad PR story
 - Fraud administration risks after the transfer of Hastings BC Investigations staff to the DWP Single Fraud Investigation Service on 1st November 2014
13. A number of other potential risks that would have a high impact and medium probability of occurring or a medium impact but high chance of occurring are also categorised as high risks but are not as significant as the list above.
14. The majority of the high risks are resource related and revolve around the severe financial restraints and general poor state of the economy. We will continue to monitor those risks carefully.
15. Details of all the operational risks can be found at appendix A.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

Operational Risk Register - Appendix A

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OPERATIONAL RISK REGISTER

June 2014

Corporate Resources Directorate

Service: **FINANCE**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Finance	Treasury Management - Loss of money - Reduction of investment interest - Cost of borrowing	Low / High Low / Medium Medium / Low	- Now £15-28 million invested at any one time	- Head of Finance	- Use of External Advisers – Capita Asset Services - Ensure staff are well trained - Ensure adequate cover - Treasury Management Strategy and Treasury Management Practices that are Reviewed at least annually - Spread of investments
2	Finance	Cash collection contract - Firm collapses - Theft by company	Low / High	- Reputation undermined - Loss of circa £200k	- Head of Finance	- Continue daily monitoring of cash banked - Regular communication with supplier if the contract is not complied with - Insurance - Contractor changed in autumn 2013
3	Finance	Reduction/Loss of Government Grant (budget deficit) in 2015/16 and beyond.	High / High	- Budget deficits	- CMG - Head of Finance	- ongoing PIER process - CMG - Efficiencies - Medium Term Financial Strategy - Adequate Reserves/Resources
4	Finance	Uninsured properties / risks	Medium / Medium	- Properties not insured - Loss of money in the event of loss	- Head of Finance	- Ensure thorough renewals process each year - Make sure we liaise with Estates to ensure all properties are adequately insured - Training and carry out inspections

OPERATIONAL RISK REGISTER

June 2014

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
5	Finance	Income stream	Medium / High	- Budget deficit	- Head of Finance - Chief Accountant	- Ensure regular budget monitoring reports distributed followed up by meetings - Report variances to Heads of Service so they can address any budget deficits within their service - Report variances quarterly through performance review - Adequate provisions
6	Finance	Business Continuity	Medium / High	- Payments, benefits, creditors & Treasury Management	- Head of Finance/ Chief Accountant	- Look to ensure finance system meets changing needs of business - Ensure full staff complement - Business Continuity Plan in place
7	Finance	Loss of key staff	Medium / High	- Stress - Errors / omissions - Financial loss - Poor advice	- Chief Accountant - Head of Finance - Personnel, Policies and Strategies - CMG	- Keep staff motivated - Ensure knowledge is shared - Terms and Conditions
8	Finance	Changes in legislation	Medium / Medium	- Failure to produce accounts - Qualified by auditor - Staff time - Staff costs - Reputation Undermined	- Head of Finance - Chief Accountant	- Regular liaison with our external auditors BDO - Train staff

OPERATIONAL RISK REGISTER

June 2014

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
9	Finance	Budget settings - No decisions - Late decisions - No processes	Low / Low	- Staff disenfranchised - Low morale - In fighting	- Head of Finance - Chief Accountant	- Ensure regular budget monitoring reports distributed followed up by meetings - Report variance through performance review - PIER process - Provide appropriate financial advice as directors/senior management request - Medium Term Financial Strategy
10	Finance	External suppliers - Bankruptcy, administration	Medium / High	- Depends which contract	- Chief Accountant	- Financial health checks
11	Finance (Extra module for Paye.net payments and on-line forms project – expected completion of Stage One, June 2014)	Insufficient staff time is available to complete the project on time and/or to the quality standards required	Medium / Medium	- Delay to realising system benefits and impact on project staff time	- Head of Finance /Chief Accountant	Identify resource shortfall as soon as possible and secure additional resources. External IT assistance brought in to manage project and upgrade AIM. Subsequent stages of project will seek to transform website to a more transactional basis.

OPERATIONAL RISK REGISTER

June 2014

Corporate Resources Directorate

Service: **ESTATES**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Estates	Loss of key staff and inability to recruit	Medium/High	<ul style="list-style-type: none"> - Loss of knowledge and relationship with tenants - Tenants dissatisfied and leave 	<ul style="list-style-type: none"> - Head of Finance - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Keep staff motivated - Retain IIP status - Ensure knowledge shared within Team - Terms and Conditions
2	Estates	Increase in empty units / major tenant leaves	Medium / Medium	<ul style="list-style-type: none"> - Loss of rental income - Units handed back and difficult to re-let - Increased costs (rates) 	<ul style="list-style-type: none"> - Estates Manager 	<ul style="list-style-type: none"> - Effective advertising - Maintain tenant relationships and get early warning
3	Estates	Failure to maintain assets	Low/High	<ul style="list-style-type: none"> - Properties fall into disrepair 	<ul style="list-style-type: none"> - Estates Manager 	<ul style="list-style-type: none"> - Regular inspections - Adequate budget (R&R)
4	Estates	Properties not adequately insured	Low/Medium	<ul style="list-style-type: none"> - Council has to reinstate from own money 	<ul style="list-style-type: none"> - Estates Manager - Head of Finance 	<ul style="list-style-type: none"> - Complete revaluation of Council property and ensure regular checks on tenanted property
5	Estates	Environmental legislation introduced which we do not currently comply with.	Medium/Low	<ul style="list-style-type: none"> - Units with an energy rating of E or worse can't be let after 2018 - Cost as business 	<ul style="list-style-type: none"> - Estates Manager 	<ul style="list-style-type: none"> - Assess energy performance of our buildings and improve where necessary

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
				rates could be linked to energy performance of buildings		
6	Estates	Lone working	Low/High	- Risk of injury	- Estates Manager	- Risk assessed - Lone Worker Policy
7	Estates	Potential tenant does not sign a lease for St Mary in the Castle	Medium/High	- Building empty leading to increased costs - Loss of amenity to the Town - Adverse PR - Potential for monetary claim	- Estates Manager	- Closely monitor progress of Pelham Arcade works & ensure they are completed in a timely manner - Liaise with potential tenant

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Corporate Resources Directorate

Service: **REVENUES AND BENEFITS**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Revenues & Benefits	Not implementing changes to benefit rules & regulations in a timely manner	Low/Medium	<ul style="list-style-type: none"> - Wrong HB/CTB paid to customers - Subsidy claim qualified - Reputational 	<ul style="list-style-type: none"> - Revs and Bens Service Manager - Performance and Quality Manager 	<ul style="list-style-type: none"> - Ensure software supplier delivers upgrade on time - Fully test software prior to installing in 'live' system - Train staff in new procedure
2	Revenues & Benefits	Increased caseload	Low/Medium	<ul style="list-style-type: none"> - More staff required - Additional costs re equipment etc - Added pressure - Performance deteriorates 	<ul style="list-style-type: none"> - Revs and Bens Service Manager - Performance and Quality Manager 	<ul style="list-style-type: none"> - Monitor incoming work - Maintain a good relationship with Agency provider - More flexible working arrangements including home-working - Keep staff motivated - Monitor performance
3	Revenues & Benefits	Failure to meet collection targets in respect of council tax & business rates	Medium/High	<ul style="list-style-type: none"> - Collection fund budget setting 	<ul style="list-style-type: none"> - Revs and Bens Service Manager - Collection and Customer Service Manager 	<ul style="list-style-type: none"> - Ensure a robust recovery strategy
4	Revenues & Benefits	Failure to meet sundry debts collection target as a result of the economic downturn	Medium/Medium	<ul style="list-style-type: none"> - Loss of income to Council 	<ul style="list-style-type: none"> - Revs and Bens Service Manager - Income Officer 	<ul style="list-style-type: none"> - Ensure a robust recovery strategy - Liaise with customers as soon as there appears to be a problem

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
5	Revenues & Benefits	Effectiveness of Business Continuity Plan	Medium/High	<ul style="list-style-type: none"> - Loss of staff - Loss of IT systems - Loss of accommodation 	<ul style="list-style-type: none"> - Revs and Bens Service Manager - IT Manager 	<ul style="list-style-type: none"> - Key staff able to operate from home - IT system backed up daily - Undertake IT Disaster Recovery mock-ups annually
6	Revenues & Benefits	Failure to recruit & retain staff	Medium/Medium	<ul style="list-style-type: none"> - Unable to meet demands/targets - Service delivery deteriorates - Low morale - Added pressure - Increased sickness - Increased costs 	<ul style="list-style-type: none"> - Revs and Bens Manager - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Managers to work closely with HR People Strategy - Workforce planning
7	Revenues & Benefits	Impact of potential changes to the Council Tax Reduction Scheme in future years.	Low/Medium	<p>Financial:</p> <ul style="list-style-type: none"> - More council tax to collect. - Collection fund - Budget setting. <p>IT systems:</p> <ul style="list-style-type: none"> - Replacement system not available on time. 	<ul style="list-style-type: none"> - Revs and Bens Manager - Head of Finance - Revs and Bens Manager 	<ul style="list-style-type: none"> - Work with colleagues in other Local Authorities - Liaise with Registered Social Landlords - Make contact with affected persons - Participate in Anti Poverty & Welfare Reform Working Group - Ensure staff are well informed - Identify additional resources to maintain the scheme for a further year - Liaise with software suppliers - Attend appropriate seminars/workshops (Note : East Sussex LA's looking to retain existing scheme in 2015/16)

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
8	Revenues & Benefits	Failure to meet collection targets in respect of council tax & business rates due to a high number of appeals that are outstanding	Medium/Medium	- Collection fund budget setting	- Revs and Bens Service Manager - Collection and Customer Service Manager	<ul style="list-style-type: none"> - Ensure sufficient reserves are retained within the Resilience and Stability Reserve. - Government are seeking to resolve high level of outstanding NNDR appeals by July 2015.

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Corporate Resources Directorate

Service: **AUDIT, INVESTIGATIONS AND PROCUREMENT**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Audit	Risk of missing something in a systems audit	Low / Medium	- Loss of credibility of audit and false assurance	- Chief Auditor	- Professional staff - Experienced staff - Chief Auditor review of work performed
2	Investigations	Risk of poor transitional arrangements in the lead up period to the transfer of Hastings BC Investigations staff to the Department for Work & Pensions Single Fraud Investigation Service (DWP SFIS) on 1 November 2014	Medium / Low	- Reputation undermined - Low staff morale of those directly affected - 'Tupe-like' employment issues - Slippage - Untested process as HBC is in the first wave to transfer - Insufficient time - Not in control of the process	- Chief Auditor	- Local closure plan in place and progress being monitored - Open communication - POD leading on all personnel tasks - Keeping abreast of all developments and sharing information with other councils - Meetings with DWP - Frequent meetings with directly affected staff
3	Investigations	Fraud administration risks <i>after</i> the transfer of Hastings BC Investigators to DWP SFIS on 1 November 2014	High/High	- Reputation undermined - Loss of administration grant (fraud element) - Increased workload for Housing Benefits staff - Call handling for fraud reporting	- Chief Auditor	- Communications plan (including keeping members informed) - Meetings with DWP especially on all financial issues - Fact gathering so that strategy can be refined

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
				<ul style="list-style-type: none"> enquiries - Work-in-progress - Council Tax Reduction fraud loss - Council Tax Reduction Investigation - No qualified and approved investigators in HBC - Not in control of the process 		
4	Procurement	Risk of East Sussex Procurement Hub not engaging effectively with HBC	Low / Medium	<ul style="list-style-type: none"> - Lost deals leading to paying extra for same service - Duplication of effort - Organisational difficulties in decision taking and protecting the council 	- Chief Auditor	<ul style="list-style-type: none"> - Effective communication plan - Monitoring service level / procurement programme - Ensure savings exceed procurement costs

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Corporate Resources Directorate

Service: **Corporate Resources - PEOPLE AND BUSINESS SUPPORT**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	People & Business Support	Loss of Trent Payroll system	Low / High	<ul style="list-style-type: none"> - Over payments - Staff not paid - NI / Tax not paid – surcharged - Services may have to close - Employment tribunal claims - Industrial action 	Executive Manager People and Organisational Development	<ul style="list-style-type: none"> - Managers trained on payroll process - Business Continuity Plan in place / reviewed
2	People & Business Support	Lack of effective organisational development and change	Low / Medium	<ul style="list-style-type: none"> - Staff unable to deliver services due to lack of skills and knowledge - Organisation stagnates - No new initiatives / developments undertaken - Unable to manage more with less - Unable to deliver government / local leadership agenda - Loss of key staff - Increased sickness - Disengaged staff 	Executive Manager People and Organisational Development	<ul style="list-style-type: none"> - Organisational Development Group which is a senior Member and Officer group overseeing programmes of cultural change activity and work to realise our objectives through effective management and development of our staff, improved motivation through staff Involvement, staff more readier to accept change and identify with organisational goals, better communications. - Workforce planning helps us to anticipate what resources we will require for the future, addressing recruitment and retention issues, and how we will achieve this. - Workforce development plan enables us to meet our strategic objectives by identifying people management issues to be addressed over the medium term.

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
						- People strategy is overarching and outlines what an employee can expect from working with us.
3	People & Business Support	Loss of key staff within the people and business support service: - Turnover - Redundancy/retirement - Re-structure (failure to take a strategic approach to workforce planning puts key services at risk)	High / High	- Support for managers / organisation reduced - Processes not followed increase in claims via E.T. - Loss of knowledge - Reduced services - Increased complaints - Increased sickness - Staff over loaded - Reputation of HBC undermined	- Executive Manager People and Organisational Development	- Workforce planning process embedded within service areas - Workforce Development Plan (planned programme with service heads) - HR briefings on HR policies / procedures, employment legislation - Sickness absence priority objective for Personnel / service areas - Managers training in people management issues
4	People & Business Support	Non-compliance with employment legislation Corporately	Medium / Medium	- Increased number of tribunal claims – costs against the Council	- Executive Manager People and Organisational Development	- HR briefings (see above) - Training for managers in people management issues - Ensure policies and procedures adhered to – including timelines - Provide support to managers - Inform finance as early as possible - Use experienced HR advisors (qualified) - Early contact with relevant managers - Training for managers in handling difficult situations

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
5.	People & Business Support	Poor employee relations	Low/High	<ul style="list-style-type: none"> - Reputation as an employer resulting in high turnover, low morale, poor recruitment and retention, increased sickness absence and increased Employment – Tribunals. - Impact on service delivery. 	<ul style="list-style-type: none"> - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Maintain and build on current Employee relations framework which encourages partnership working between management and unions, enabling effective negotiation, consultation and communication. - Organisational Development Group (a senior Member and Officer group) oversees engagement with the Staff Commission
6	People & Business Support	Inadequate Project Management skills/project management	Low/Low	<ul style="list-style-type: none"> - Projects not progressed, costs overrun/Deadlines missed/lack of motivation/disinterest 	<ul style="list-style-type: none"> - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Project management training - Use Corporate Project Management Methodology
7	People & Business Support	Breach of Town Hall or Aquila House Security – asset or data loss	Low/Low	<ul style="list-style-type: none"> - Legal action/Loss of reputation/confidence 	<ul style="list-style-type: none"> - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Perform security reviews to test security arrangements - Ensure frequent staff awareness - Test alarms
8	People & Business Support	Corporate complaints timescales not met	Low/High	<ul style="list-style-type: none"> - Reputational impact/potential legal action/lack of confidence - Finding against HBC from Local Government Ombudsman 	<ul style="list-style-type: none"> - Executive Manager People and Organisational Development 	<ul style="list-style-type: none"> - Revised corporate complaints monitoring systems to be implemented with resilience built in Corporate Services - Ensure frequent staff awareness - New central recording system to be implemented in 2014/15 - Organisational Development Group (a senior Member and Officer group) to oversee learning from complaints/trends

OPERATIONAL RISK REGISTER

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
9	People & Business Support	Equipment breakdown (printers, water coolers etc)	Low/Low	- Unable to use equipment	- Executive Manager People and Organisational Development	- Effective and efficient call-out arrangements
10	People & Business Support	Breach of fire and building health and safety regulations at Town Hall or Aquila House.	Low/High	- Potential injury to persons	- Executive Manager People and Organisational Development	- Training - Drills - Health & Safety system in place - Health & Safety Audits

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Service: **Corporate Resources – CORPORATE AND DEMOCRATIC SERVICES**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Corporate & Democratic Services	HBC Not achieving corporate objectives e.g. equalities, Sustainable Community Strategy, effective engagement	Low / High	<ul style="list-style-type: none"> - Impact on service delivery - Reputation undermined 	<ul style="list-style-type: none"> - Corporate Directors - Head of Corporate Services 	<ul style="list-style-type: none"> - Resources allocated in Budget Process - Quarterly performance review process to assess progress against key targets
2	Corporate & Democratic Services	Lack of effective corporate planning – lack of capacity, lack of skills, organisation resistance	Low / High	<ul style="list-style-type: none"> - Poorly planned resource allocation - HBC not responsive to emerging issues 	<ul style="list-style-type: none"> - Corporate Directors - Head of Corporate Services 	<ul style="list-style-type: none"> - PIER programme to identify resources at time priorities are agreed - Staff involvement and engagement processes - Service review programme examining services in detail and assessing customer focus and efficiency
3	Corporate & Democratic Services	Failure of democratic system 'Mod Gov'	Low / High	<ul style="list-style-type: none"> - Loss of records - Reputation undermined - Access to information 	<ul style="list-style-type: none"> - Head of Corporate Services 	<ul style="list-style-type: none"> - Linked to IT Recovery Plan - System is hosted on an off-site server - Copies maintained and could be re-published / made available as pdfs

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
4	Corporate & Democratic Services	Failure to effectively engage staff and community in decisions about reducing resources	Low / Medium	<ul style="list-style-type: none"> - Reputation undermined - Staff dissatisfaction - Complaints 	<ul style="list-style-type: none"> - Corporate Directors - Head of Corporate Services 	<ul style="list-style-type: none"> - Programme of service reviews pending - Engagement evidence to support PIER process e.g. Local Place Survey, equality impact assessments, consultations and staff feedback.
5	Corporate & Democratic Services	Statutory timetable and requirements not met when compiling and maintaining the Electoral Register	Low / High	<ul style="list-style-type: none"> - Legal – residents disenfranchised and not able to vote leading to a challenge to the election result. - Financial – costs of legal challenge and re-running elections. - Reputational: mistrust by residents of accuracy of the Electoral Register and future election results. 	<ul style="list-style-type: none"> - Head of Corporate Services - Electoral Registration Officer 	<ul style="list-style-type: none"> - Professionally qualified and trained staff with regular skills and knowledge updates. - High quality software package in place. - Contracts in place with printers and software suppliers. - Good networks for support and advice

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
6	Corporate & Democratic Services	Organisation of Elections - Statutory timetable and requirements not met. -	Low / High	<ul style="list-style-type: none"> - Legal – residents disenfranchised and not able to vote leading to a challenge to the election result. - Financial – costs of legal challenge and re-running elections. - Reputational: mistrust by residents 	<ul style="list-style-type: none"> - Head of Corporate Services - Electoral Registration Officer 	<ul style="list-style-type: none"> - Professionally qualified and trained staff with regular skills and knowledge updates. - Project Plan for each election in place with a Project Group, also an Elections Committee chaired by the Returning Officer. - East Sussex wide Electoral Services Network available for support and advice and a good working relationship with the Electoral Commission has been established. - Returning Officer and Deputies undertake training. - Greater resilience achieved within wider Corporate Services team
7	Corporate & Democratic Services	Implementation of Individual Electoral Registration from 2014 – failure to meet statutory timescales	Medium/High	<ul style="list-style-type: none"> - Legal – residents disenfranchised and not able to vote leading to a challenge to the election result. - Financial – costs of legal challenge and re-running elections. - Reputational: mistrust by residents 	<ul style="list-style-type: none"> - Head of Corporate Services - Electoral Registration Officer 	<ul style="list-style-type: none"> - Internal project team established to work to project plan - Govt are providing ring fenced resources for additional expenditure over and above that normally expected when preparing the electoral role - Relevant staff are being trained - Relevant IT systems are being upgraded - National publicity campaign to be launched summer 2014

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
8	Corporate & Democratic Services	Losing specialist staff at a key time (e.g. elections, canvass etc)	Low / High	<ul style="list-style-type: none"> - Statutory timetable and requirements not met 	<ul style="list-style-type: none"> - Head of Corporate Services - Electoral Registration Officer 	<ul style="list-style-type: none"> - Resilience is being developed across Corporate Services teams to assist with election duties - Project planning and procedure notes production is key - Arrangement in place for Rother DC Elections Team to assist with elections during the years that Hastings has elections and they do not and vice versa.
9	Corporate & Democratic Services	Statutory publication dates for agendas and forward plan missed, resulting in meetings having to be cancelled and a delay to key decisions.	Low / High	<ul style="list-style-type: none"> - Legal – Decisions made are open to challenge. - Reputational – High risk of negative media and public profile. - Financial – costs of legal challenges. 	<ul style="list-style-type: none"> - Head of Corporate Services 	<ul style="list-style-type: none"> - Revised arrangements for Forward Plan creation have been implemented which ensure that responsibility is shared with service departments and is stored on SharePoint for resilience. - Mod Gov system automated process for reminders
10	Corporate & Democratic Services	Freedom of Information Act response targets not met	Low/Medium	<ul style="list-style-type: none"> - Complaint to Information Commissioner 	<ul style="list-style-type: none"> - Head of Corporate Services 	<ul style="list-style-type: none"> - Maintenance of monitoring system - Information regularly updated on website to direct users to - Regular reviews of breadth of information made available to identify if there are further areas that can reduce FOI requests

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Service: **Corporate Resources - COMMUNITY CONTACT CENTRE AND TOURIST INFORMATION CENTRE**

1	Contact Centre	Poor quality service provision at the first point of call resulting in delays, poor advice and/or an increase in customer complaints	Medium / Medium	<ul style="list-style-type: none"> - Reputation undermined - Impact on service delivery - Financial Implications - Additional contacts to rectify advice/information given. 	<ul style="list-style-type: none"> - CMG - Head of Corporate Services 	<ul style="list-style-type: none"> - Good communications with service departments to plan for peaks in service demand - Rolling training programme to refresh knowledge - Service reviews rolling programme to review processes and customer service issues - Customer satisfaction surveys undertaken - Greater use of technology to address issues of unavoidable contact and reduce face to face contact at first point. - 'Queue busting' processes initiated to limit waiting times of some customers - Performance management processes in place
2	Contact Centre	Risk of serious abusive, aggressive or violent behaviour towards staff	Medium/High	<ul style="list-style-type: none"> - Increase in stress levels experienced by staff and related illness absence - Potential legal claims - Physical harm/injury - Financial Implications 	<ul style="list-style-type: none"> - Head of Corporate Services 	<ul style="list-style-type: none"> - Regular H&S training and refresher - Security arrangements enhanced - Lone worker training - Conflict training for all staff - Options to interview in secure rooms - Panic buttons - Appropriate use of alert scheme - Manager supervision and support
3	Contact Centre	Cash handling and risk of theft by public or staff.	Low/High	<ul style="list-style-type: none"> - Financial Implications 	<ul style="list-style-type: none"> - Head of Corporate Services 	<ul style="list-style-type: none"> - Cash theft prevention systems in place - Effective monitoring and auditing - Use of CCTV systems as evidence and protection for staff. - Insurance

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4	Contact Centre	Total systems failure	Low/High	<ul style="list-style-type: none">- Reputation undermined- Customer dissatisfaction	<ul style="list-style-type: none">- Head of Corporate Services	<ul style="list-style-type: none">- Business Continuity Plan- Reliable systems- Back-up site- Manual processes implemented- Linked to IT recovery plan
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Corporate Resources Directorate

Service: **LEGAL SERVICES**

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
1	Legal	Regulatory enforcement – loss of staff in key area Failure to follow correct procedures in enforcement processes. Not being in a position to defend actions brought against the Council.	Low / * High (* Depends on level of court)	- Reputational -failure to deliver on priorities - Financial – Vulnerability to costs orders against the Council	- Chief Legal Officer	- Legal compliance – professionally trained staff subject to CPD, training, library and on-line research tools, East Sussex Solicitors and Secretaries (ESSAS) (when available) and shared learning groups - Professionally qualified staff providing Advice
2	Legal	Corporate Governance non –compliance with Constitution, procedures, financial rules and standing orders, ultra vires, legal challenge standards issues for members	Medium / High	- Failure to deliver on Priorities (reputational and financial) - Financial – legal challenge and costs of that	- Chief Legal Officer	- Monitoring Officer or Deputy attendance at CMG, PPR, Cabinet and Council - Monitoring Officer or Deputy at Standards Committee and training for members on standards issues. - Legal advice to other decision-making committees eg Planning Committee and Licensing Committee and training for members of those committees. - Professionally qualified staff providing Advice - Regular monitoring (and if necessary, amendment) of Constitution. - Member training, advice and support regularly given

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	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
3	Legal	<p>Property, Planning & Contracts: instructions</p> <ul style="list-style-type: none"> - lack of full, precise and timely instructions from client departments <p>Failure to follow procurement rules</p>	Medium / High	<ul style="list-style-type: none"> - Reputational - Time pressures on funding - Financial – failure to achieve best value for authority - Financial – legal challenge from unsuccessful tenderers 	- Chief Legal Officer	<ul style="list-style-type: none"> - Professionally qualified staff providing advice on what is required - Contribution to training of client officers - Regular updating training on procurement rules. - Attendance at ESSAS Contracts Group - Work with East Sussex Procurement Hub
4	Legal	Losing staff at a key time – impacting on resilience	Medium / High	<ul style="list-style-type: none"> - Financial – cost of outsourcing or locum assistance - Reputational – risk of failure to deliver - Undue pressures on service 	- Chief Legal Officer	<ul style="list-style-type: none"> - Back up through East Sussex Solicitors and Secretaries (ESSAS) standard fee agreement and Sussex Consortium Framework Agreement - High profile matters – identified for outsourcing at an early stage of instruction. - Sharing information within the team - Use of locum staff where absence is to be prolonged. - Corporate Services administration – developed resilience across teams

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Environmental Services Directorate Risk Register

Service: **AMENITIES, RESORTS AND LEISURE**

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Seafront Concrete Structures (Resort Services)	Extensive deterioration or collapse	Low/High	Financial impact. Danger to public safety. Loss of amenity. Reputation undermined.	Head of Service / Service Manager	Annual concrete inspections in place with programme of minor repairs.
Bathing Water Quality (Resort Services)	Bathing water fails to meet new EU standard by deadlines (2015).	Med/High	Loss of tourism income Reputational damage Extensive operational precautions required.	Service Manager	Working with partners to address known problems. Project initiated and funded by the EA focussing on: Missed connections, de-silting ponds, magic sponge and community engagement (HVA). Discussion also initiated to commence feasibility study into other options including long-sea outfall.
White Rock Theatre (Resort services)	Falling audience numbers.	Med/Med	Reputation undermined. HBC investment questioned.	Head of Service / Service Manager / Lead Member	Monthly review of activities, results and plans. Close liaison with theatre manager. Audience numbers have stabilised last financial year but are not increasing.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Cliff Railways (Resort Services)	Failure to complete refurbishment contract satisfactorily because of dispute with consultant engineer.	Low / Low	Officer Time. Increased costs. Potential of additional loss of service if works delayed.	Service Manager	Resolution meeting held and timetable of actions agreed with consultant engineers. Priority items now resolved and completed. Annual maintenance, inspections, insurance checks programme.
Cliff Railways (Resort Services)	Income does not reach target in high season (poor weather, higher prices)	Med/Med	Loss of profit supporting other HBC operations	Head of Service / Service Manager	Consider winter opening for East Hill Lift.
Hastings Museum and Art Gallery and Old Town Hall Museum (Resort Services)	Loss of exhibits and damage to buildings due to theft, damage through fire, vandalism, alarm failure, staff failure.	Low / High	Financial loss. Loss of service (closure). Cultural loss. Reputation undermined.	Service Manager / Museum Curator	Additional exterior security added. Recommendations of Insurance Company's security review currently being implemented. Alarm contracts maintained. Staff trained. Procedures manual updated. Disaster Plan update completed. Fire Risk Assessments completed. Security Audits to be reviewed. Regular review of arrangements and staff training have been implemented.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Flood Risk Management (Resort Services)	Impact of sever weather Loss of Government Funding	Med / Med	Loss of life Loss of amenity Financial impact	Service Manager	Enhanced / cost effective revenue based maintenance programme to increase time frame for replacement of flood defences. Alternate funding streams identified via DEFRA and Environment Agency. Medium Term Plan used effectively and in close liaison with EA Flood Risk Management Team.
White Rock Baths (Building Surveyors and Resort Services)	Vulnerable to entry and damage by intruders. Hazardous inside (deep hols, water, trips, asbestos) Concrete structure failing	Med/med	Loss of life / serious injury Damage to property Financial impact Reputation undermined	Head of Service / Service Managers	Building access points secured and alarm installed (complete) Regular inspections by contractors. Risk assessment / controlled access Structural inspections and remedial actions. Air quality monitoring Additional lighting and barriers installed and other hazard controls Seek users for building.
Cliffs (Building Surveyors and Resort Services)	Risk of landslide, landslip, rock falls and other natural hazards on both coastal cliffs and those inland.	High/Med	Loss of life / serious injury Damage to property Loss of access / amenity Financial impact Reputation undermined	Head of Service / Service Manager	Bi annual programme of inspection and remedial action. Maintain existing controls in place (catch fences, signage, barriers) Reporting system in place with other relevant stakeholders

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position	
Page 46	Leisure Services	Risk of loss or reduction of external funding.	Med / Med	Loss or reduction of services. Failure to meet local need and public expectations.	Service Manager	We continue to submit external funding applications for a range of leisure projects. A series of small grants have been awarded.
		Our failure to deliver as per external funding contractual agreements.	Low / High	Claw back of external funding. Reputation undermined. Legal action. Overspend.	Service Manager	Regular monitoring and evaluation of projects which is formally fed back to principle funding partners as per funding agreements. Regular liaison with funders. Review budgets regularly.
		Duty of Care to participants & staff	Low / High	Impact on safety of individuals. Legal action. Reputation undermined.	Service Manager	Staff training continues to be reviewed.
Adventure Playground - Future (Leisure Services)	Failure to operate the Adventure Playground.	Low / Med	Loss or reduction of service. Failure to meet public expectations and demand. Reputation undermined.	Service Manager in partnership with In2Play.	Regular meetings with In2Play are continuing in order to discuss updates regarding the APG Funding Plan. Further funding is in place for 2013/14 and 2014/15.	
Grounds Maintenance Joint Contract between HBC/RDC/ Amicus Horizon (Amenities)	Contract Specifications not being fulfilled	Low / Med	Partnership structures will be agreed to monitor the contract and its implementation.	Service Manager	Successful joint partnership procurement between RDC/HBC/Amicus has resulted in one contractor with significant savings being realised. Continued partnership working will be monitored.	

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Cremation (Cem/Crem)	Total failure to provide service. Limited capacity (equipment).	Low / High	Loss of income. Health issue. Reputation undermined.	Head of Service / Service Manager	Arrangement in place with Eastbourne Crematorium to undertake cremations in the event of total loss of service. Cremators regularly maintained and maintenance contract in place. Relief cremator operators trained to provide sickness / absence cover and ability to run service in shifts at peak times of demand. New plant installed and operational (Feb 2011). Considered to be more reliable with excellent maintenance support services.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Duty of care to the Public (All Services)	Failures of child protection. Negligence in maintaining assets. Out of date policies. Failure to ensure fully trained and competent staff.	Med / Med	Injury Claims Financial impact Reputation undermined	Head of Service	All staff who have unsupervised access to children and vulnerable adults have advanced CRB check in place. Events/activities designed to minimise risk. Risk assessments & periodic system of inspection in place for all park sites and buildings. Legionella, fire and asbestos risk assessments & controls in place. Regular electrical inspections in place. Programme of asset maintenance work in place to maintain all assets. Policies reviewed regularly. Staff training needs assessed at performance reviews, including Health & Safety updates. Contracts monitored with specific arrangements for H&S reporting via monthly meetings.

OPERATIONAL RISK REGISTER

June 2014

Environmental Services Directorate Risk Register

Service: **ENVIRONMENTAL HEALTH, PARKING AND WASTE SERVICES**

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Environmental Health	<p>Loss of corporate IT hardware due to fire, flooding, power outage etc.</p> <p>Council does not have a set of duplicate hardware, alternative power source or contract for emergency power generators.</p>	<p>Short term: Low / Low</p> <p>Medium term: Low / Medium</p>	<ul style="list-style-type: none"> - Loss of access to data - Interruption to service delivery 	Head of Environmental Services in relation to IT hardware used by his services & their BCP arrangements.	<p>Environmental Health Parking & Waste teams equipped with laptops so once IT established new temporary servers etc. they could operate reasonably well from back up on M3 system.</p> <p>Also have basic BCP arrangements in place.</p>
Waste	Unable to collect waste due to strike action, weather, problem with disposal route, staffing issue.	Low / High	<ul style="list-style-type: none"> - Piles of rubbish on street - Health risks - Financial impact - Reputation undermined 	Head of Environmental Services	<p>Strike Action: Kier would seek to employ Agency staff and/or staff from other contract areas to cover</p> <p>Weather: Kier's resources would be redeployed as necessary to clear collection vehicle access routes. Collections would then be made as soon as possible and within the same working week where practicable.</p> <p>Disposal Route Problems: Kier would deliver waste to another approved disposal site.</p> <p>Staffing issues: In the event of staffing problems Kier would look to employ agency staff and/or staff from other contract areas.</p>

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Environmental Health	Failure of stray dog contract due to contractor going into administration.	Low / Medium	<ul style="list-style-type: none"> - Failure to meet statutory duty - Nowhere to put stray dogs - Impact on Police - Reputation undermined - Cost and admin of providing an alternative service which is not budgeted for 	Head of Environmental Health	<p>The stray dog contract was retendered in 2012/13 resulting in a new contract servicing Wealden, Rother & Hastings.</p> <p>The procurement process included financial checks on the bidders & the the preferred bidder before contract letting last April.</p>
Environmental Health & Waste	<p>Legal challenge</p> <ul style="list-style-type: none"> - Appeals against enforcement action i.e. judicial review, ombudsmen review - Lack of case law to back up new legislation and its interpretation 	Low / Medium	<ul style="list-style-type: none"> - Staff time used - Financial implications - Reputation undermined 	Head of Environmental Health	Work closely with Legal Team on prosecutions and enforcement cases to reduce risk of inappropriate action being pursued.
Environmental Health & Licensing	Staff shortages due to retirement, staff leaving and not being replaced etc.	High / Low	<ul style="list-style-type: none"> - Unable to deliver full service - Increase in complaints - Bad publicity locally 	Head of Environmental Health	Could use agency staff as a short term solution as there are many companies offering this specialist help albeit at relatively expensive rates compared with in-house staff.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Environmental Health & Waste	Partnership working e.g. police, trading standards, environment agency, HSE, PCT – partners withdraw or reduce commitment to projects or issues.	Medium / High	<ul style="list-style-type: none"> - Unable to achieve objectives - Unable to meet some legal requirements i.e. timescales - Reputation of Council undermined 	Head of Environmental Services	Currently partnership working within environmental services appears to be increasing. Eg. Hastings community safety hub.

OPERATIONAL RISK REGISTER

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Environmental Services Directorate Risk Register

Service: **PARKING AND EMERGENCY PLANNING**

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to avoid/mitigate risk, time frame for implementation and latest position
Off Street Parking Enforcement Services Page 53	On 1 st April 2013 ESCC took service back and it is now delivered by them & their contractor NSL. Dynamic now altered with a reduced workforce now on 'off street' parking enforcement	Medium / High	<ul style="list-style-type: none"> - Staff loss - Income loss - Loss of additional service to town (CCTV, quality of service, accountability) - Risk to sustainability of our off street parking service. 	Director of Environmental Services & the Head of Environmental Health	The transfer of on street parking enforcement to ESCC was closely managed & strong working relations have been retained between staff & management remaining with HBC & colleagues who transferred to ESCC. Off street parking enforcement has been incorporated within a new wider waste, parking & streetscene services team since April 31 st 2013. This team includes a new generic Warden service responsible for enforcing off street parking, envirocrime & dog offences. Revised more economically sustainable operating arrangements for CCTV monitoring were approved through the budget setting process in March 2013. These arrangements which include fewer staff & reduced operating hours are now almost completely implemented. Also see item below.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to avoid/mitigate risk, time frame for implementation and latest position
CCTV Monitoring System	<p>The aging analogue system suffers serious failure</p> <p>Risk whilst transferring to proposed new system</p>	High / High	Loss of ability to monitor all of CCTV cameras across borough including those associated with off street carparks, on street, & HBC premises	Director of Environmental Services & the Head of Environmental Health,	<p>On 7th May 2013 Cabinet approved proposals to procure a totally new digital CCTV camera & operating system. As part of the scheme the Control Room is to be located to the town hall in a brand new operating suite.</p> <p>It is hoped that the project will be completed by the end of 2013/14. Project management control for the transfer</p>
Underground car parks	Fire, explosion, flooding, structural failing, security, personal safety, third party equipment and equipment.	Medium / High	<ul style="list-style-type: none"> - Loss of life / property - Loss of income - Amenity loss - Service loss - Reputation undermined 	Head of Environmental Health, parking & Highways & the Parking & Highways Manager Executive Finance manager	As a result of the fire in the Grand Parade Car Park the Executive Finance Manager has reviewed the Council's insurance cover for such locations.

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Regeneration Directorate

Service: **HOUSING SERVICES**

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Page 55	All Housing	Medium /Medium	<ul style="list-style-type: none"> - increased costs - reputation undermined - legal challenge - public impact - Inequality of public access 	Head of Housing Services	<ul style="list-style-type: none"> - service monitoring through weekly team meetings -quarterly review and reports of key indicators/targets through Performance Review meetings Service reviews (homelessness strategy revision, allocations review, revised renewal policies) - Consideration of contingency plans/budgets through management team meetings & budget review meets. - business continuity planning & risk assessments - alternative delivery models (e.g. Coastal Space initiative, CPO programme)
	Housing (Options)	Medium / Medium	<ul style="list-style-type: none"> - legal challenge - reputation undermined - Increased expenditure - quality of service - public health & wellbeing 	Head of Housing Services Options Manager	<ul style="list-style-type: none"> - staff training plan - maintain/raise corporate awareness through Performance Review/ Scrutiny/Cabinet etc - Regular stakeholder engagement through HASS meetings, Landlord forums. - regular internal/external communication (eg @Bit) - policy reviews of Homelessness, Allocations - Impact & risk assessments - improvements in cross team /service cooperation (e.g. Housing /HB team action Plan)

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Page 56	Failure to timely and effectively implement the proposed new licensing scheme.	Medium/Medium	<ul style="list-style-type: none"> • Targets not met • Standards and management in the PRS decline • Reputation undermined • Legal challenge • Poor housing stock • Impact on regeneration objectives and deprivation increases • Public health & wellbeing compromised • unmet targets • Impact upon staffing • financial cost 	Head of Housing and Planning Services Renewal Manager	<ul style="list-style-type: none"> - effective project management - Project Team Meetings in place and minutes produced -communication planning (website update) -regular review & progress monitoring (management team & briefings) -effective budget planning - additional external resourcing in place - effective IT solutions to minimise resourcing costs.
	Failure to meet licensing target for additional HMO Licensing Scheme (250 licenses per annum)	Medium/Medium	<ul style="list-style-type: none"> - reputation undermined - unmet targets - Impact upon staffing - Impact upon public health/wellbeing - financial cost 	Head of Housing and Planning Services Renewal Manager	<ul style="list-style-type: none"> - Delivery Team produced action plan in place to meet targets, encompassing existing and new targeted properties. - additional short term resourcing in place for support

OPERATIONAL RISK REGISTER

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Housing	Failure to meet the targets committed to for the Government funding rogue landlord initiative – deadline March 2015	Low/Medium	<ul style="list-style-type: none"> - reputation undermined - unmet targets - Impact upon staffing - Impact upon public health/wellbeing - financial cost - Impact on regeneration objectives and deprivation increases - 	Head of Housing and Planning Services Renewal Manager Options manager	<ul style="list-style-type: none"> - Delivery Team in place. - Recruit to posts (3 posts) – enforcement (recruited), tenant/landlord liaison officer and hotline operator - Implement and resource the hotline service. - Start CCC training to mainstream hotline number.
Housing Page 57	Failure to manage customer expectations	Low / Medium	<ul style="list-style-type: none"> - reputation undermined - disengagement & demoralisation of staff - customers dissatisfaction - legal challenges - adverse impact on partnership - cost 	Head of Housing and Planning Services Renewal Manager Options manager	<ul style="list-style-type: none"> - communication strategy to include training for local organisations, information sharing, myth busting, promoting awareness of early intervention to prevent homelessness, promoting PRS accommodation - monitoring and review of statistics - Involve / empower customers - Regularly monitor customer satisfaction questionnaires, reporting at management meetings and take restorative steps where necessary if issue identified.
All Housing	Health and Safety	Medium / High	<ul style="list-style-type: none"> • Accidents to staff resulting in time lost • Enforcement action by HSE against the Council • Civil action by employees against the Council 	<ul style="list-style-type: none"> • All Managers • Buildings Manager 	<ul style="list-style-type: none"> • Training and development programmes • Risk Assessment • Flexible working practices implemented and risk assessed • Review of accidents and dangerous occurrences at Monthly Managers Meetings

OPERATIONAL RISK REGISTER

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
All Housing	Loss of key staff and members- Knowledge Management	Medium / Medium	<ul style="list-style-type: none"> • Statutory targets not met • Key priorities and projects not met • Loss of skills and knowledge 	<ul style="list-style-type: none"> • All Managers • Head of Housing and Planning Services 	<ul style="list-style-type: none"> • Regularly review at Team Meetings
					<ul style="list-style-type: none"> • Succession Planning • Documentation of systems, plans, procedures and projects • Training and development programmes • Induction programme • Career Grade Structure in place • Retention Policy in place
Housing	Failure to maintain CPO Programme for Empty Homes	Low/High	<ul style="list-style-type: none"> • Targets not met • Staff at risk • Number of empty homes increase • Funding at risk (new homes bonus) • Reputation undermined • Legal challenge • Poor housing stock • Impact on regeneration 	<ul style="list-style-type: none"> • Head of Housing and Planning Services • Renewal Manager 	<ul style="list-style-type: none"> • Training and development programmes • Effective management of scheme • Systems and procedures in place and reviewed • Project team and communication plan in place • Proactive targeting of long term empty homes • New Empty Homes Strategy in place in 2014.

OPERATIONAL RISK REGISTER

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
			objectives <ul style="list-style-type: none"> • Public health & wellbeing • Key priorities and projects not met 		
Housing Page 59	Failure to maintain delivery in the Housing Renewal Area (based on the original Neighbourhood Renewal	Low /High	<ul style="list-style-type: none"> • Targets not met • Posts at risk • Increased risk of homelessness • Standards and management in the PRS decline • Reputation undermined • Legal challenge • Poor housing stock • Impact on regeneration objectives and deprivation increases 	<ul style="list-style-type: none"> • Head of Housing and Planning Services 	<ul style="list-style-type: none"> • HCA and HBC funding secured for Coastal Space Project 2013-2015. 51 units to be delivered by March 2015 plus associated employment, training, community development support etc. • Support of other partners such as YMCA, Town team secured. • Renewal Area status extended for 5 years. • Additional licensing scheme operational • Project team and communication plan in place • Strategic group established • Proactive Enforcement Programmes operational in the 7 streets • Business continuity planning & risk assessments being carried out

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
			<ul style="list-style-type: none"> • Public health & wellbeing • Key priorities and projects not met • Financial burden on the organisation 		<ul style="list-style-type: none"> • Marketing & Publicity plan being developed • Amicus Horizon starting to deliver in the Renewal Area.
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 60</p> <p>Housing</p>	<p>Failure to return to use the Compulsory Purchase of 41/42 Carisbrooke Road, St Leonards (a former nursing home) within reasonable timescale.</p>	<p>Med/High</p>	<ul style="list-style-type: none"> • Reputation undermined • Legal challenge • Poor housing stock • Impact on regeneration objectives and deprivation increases • Key priorities and projects not met • Financial burden on the organisation 	<ul style="list-style-type: none"> • Head of Housing and Planning Services 	<ul style="list-style-type: none"> • Property being delivered through 51 units Coastal Space Scheme with Amicus. • Sale agreed and works on site to convert building into flats. • Reasonable compensation settlement achieved with former owners.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Housing	Failure to implement proposal to establish Social Lettings Agency	Med/Med	<ul style="list-style-type: none"> • Increased risk of homelessness • Impact on regeneration objectives and deprivation increases • Key Corporate priority not met • Standards and management in the do not improve 	<ul style="list-style-type: none"> • Head of Housing and Planning Services • Housing options Manager 	<ul style="list-style-type: none"> • Detailed research of existing schemes to be carried out • Financial feasibility study to be undertaken • Consideration of options by CMG//Cabinet Dec 2013.

OPERATIONAL RISK REGISTER

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Regeneration, Homes and Communities Directorate

Service: **MARKETING AND COMMUNICATIONS**

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Marketing & Communications	Failure of IT equipment	Low / High	- Very serious impact in short term for all services	IT Manager	- Alternative and backup services being provided, regular backup off-site of data, 'loop' of resilient private. Servers now 'virtualised', second email server and internet feed provided at Town Hall, other risks mitigated through improved recovery times
Marketing & Communications	Seafood & Wine Festival and/or Fish Fairs Unsuccessful	Medium/Medium	- Reputation undermined - Financial implications	Head of Communications & Marketing	- Regular officer and stakeholder meetings held - Risk assessments undertaken in conjunction with professional colleagues and emergency services
Marketing & Communications	Reputational risk of a bad PR story	High / High	- Reputation undermined locally and nationally - Resources used to deal with situation - Staff morale declines - Political fall-out	Head of Communications & Marketing	- Weekly PR meetings held at senior level - Senior politicians and officers aware of impact of bad PR - Immediate damage limitation for bad stories, PR officer on call 24/7 - Very difficult to prevent a journalist writing a 'bad' story if they want :- and the damage is done once published

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Regeneration, Homes and Communities Directorate

Service: **PLANNING**

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Development Management	1. Error in making a Planning Decision	Low / Medium	<ul style="list-style-type: none"> - Financial implications – judicial review, legal cost & compensation - Reputation undermined 	Section Manager	<p>There are procedures in place to monitor progress on a number of levels as applications progress. There is close supervision of staff by Senior Planners, and the Development Manager. This is facilitated through casework meetings, one to one meetings and checking of delegated and committee reports.</p> <p>This is reliant on experienced and qualified staff and adequate capacity for the workload which exists at present.</p>
Development Management	2. Lose Planning Appeal decision	Low/Medium	<ul style="list-style-type: none"> - Reputation undermined - If costs awarded maybe financial implications 	Section Manager	<p>This is reliant on experienced and qualified staff that remain up to date with current guidance and policy through continuing professional development and this is the case at present.</p> <p>It is important that Planning Committee Members are trained and understand the consequences of refusing planning consent. A programme of training each quarter is already in place.</p>
Development Management	3. Error or delay in undertaking planning enforcement	Low/Medium	<ul style="list-style-type: none"> - Reputation undermined - financial compensation 	Senior Enforcement Office & Section Manager	<p>There are procedures in place to record allegations and breaches of planning legislation. Those are investigated on a prioritised basis and the outcomes are recorded.</p> <p>The Council has experienced planning enforcement staff that are qualified to degree level in planning and related</p>

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
			- additional legal advice		discipline and they undertake continuing professional development. The staff are also fully trained in the Police and Criminal Evidence Act (PACE), the procedures required in law to pursue prosecution.
Conservation	4. Error in managing & processing Conservation Grant schemes	Low/Medium	- Financial implications - Reputation undermined	Assistant Projects Manager	<p>There are procedures in place to process grant applications to ensure that errors in managing and processing are minimised. Experienced and qualified staff vet applications in detail.</p> <p>Grant offers are dependant on competitive tender submissions being closely scrutinised by Council staff.</p> <p>Close monitoring of progress of the work is undertaken by Council staff to ensure acceptable quality and detail is achieved. Stage payments are made as the work progresses only on production of paid invoices. Final payments are held back until the work is satisfactorily completed.</p> <p>The Townscape Heritage Initiative for Central St Leonards funded mainly by Heritage Lottery and the Council will be externally audited by Heritage Lottery at the end of scheme.</p>
Development Management and Local Land Charges	5. Financial management – mislay incoming money	Low / Medium	- Financial implications - Pressure on	Section Manager	There is a corporate procedure to record incoming payments. This procedure has been regularly audited.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
			resources trying to rectify situation - Reputation undermined		
Development Management	6. Incorrect information comes from call centre	Low / Medium	- Impact on service delivery - Resources wasted - Reputation undermined - Possible compensation	Section Manager	A detailed searchable 'frequently asked questions' database has been created. New Contact Centre staff have one to one training as part of their induction on planning matters. There is a backup of staff members from the Development Management team to provide support and guidance. The Development Management staff create a log of calls referred from the Contact Centre which is used by the Contact Centre Manager in weekly training sessions.
Development Management, Local Land Charges and Planning Policy	7. Lack of staffing / financial resilience	Low / Medium	- Inability to do the work - Unacceptable deficit	Head of Service and Section Managers	Procedures have been reviewed to ensure maximum efficiency. Workloads to monitored and reviewed In the event of significant under capacity.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Development management and Local Land Charges	8. Loss of data / information	Low / High	<ul style="list-style-type: none"> - Impact on service delivery - Financial implications 	IT service and Section Managers	<p>Electronic data is backed up. The older paper based records are stored at the Council's Archive and there is no separate comprehensive backup of these. However, all decision notices have been scanned and kept electronically. There are electronic copies of plans dating from 1948 to 1971.</p> <p>In respect of the Local Land Charges Register, this is partially electronic, but mainly records are paper based and contained at the Archive. It is possible to recreate these records from the original sources if the current set were lost, although this would be time consuming.</p> <p>All significant planning material received from 2003 is held electronically and as part of a programme to destroy redundant archived paper copies a check is being made against electronic records to ensure any missing documents are scanned.</p> <p>Because all objections are published online, if an objection is not received, or is incorrectly logged it is evident to the objector and they are able to draw the problem to our attention to correct it.</p>
Development Management, Local Land Charges and Planning Policy	9. Injury of staff on site and in the work environment	Low / High	<ul style="list-style-type: none"> - Potential litigation - Financial implications 	Section Managers and staff	<p>Corporate health and safety procedures are in place and are followed. Relevant training of staff is undertaken regularly including lone working etc. Personal protection equipment is provided to staff.</p> <p>Staff on site have mobile phones and are required to</p>

OPERATIONAL RISK REGISTER

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
			<ul style="list-style-type: none"> - Impact on service delivery - Reputation undermined 		<p>report their whereabouts.</p> <p>Six monthly corporate health and safety reviews are undertaken, appropriate adjustments are made and these matters are documented.</p>
Development Management and Local Land Charges	10. Loss of income due to changes in legislation and economy	Medium/High	<ul style="list-style-type: none"> - Financial implications - Pressure on resources trying to rectify situation 	Head of Service	Close monitoring of performance is undertaken by the section managers and finance staff and this is reported to the Head of Service on a regular basis. Measures are undertaken to respond to any significant variation of actual income to budget.
Local Land Charges	11. Restitution as a result of legislative change	Low/Medium	<ul style="list-style-type: none"> - Financial implications 	Section Manager	<p>This is the subject of current Court action as part of a Group Action involving all Local Authorities in England and Wales.</p> <p>The Government has acknowledged the issues and have made a contribution to each local authority towards these costs. Close liaison continues with senior staff in the finance, legal and planning teams and with the Local Government Association.</p>
Building Control delivered by the Rother and Hastings Building Control Service	12. Failure to deliver service	Low/High	<ul style="list-style-type: none"> - Impact on service delivery - Financial implications 	Head of Service	Under the Partnership between Rother DC and HBC to deliver the Building Control Service there is a contract which defines the procedures to change arrangements if required. The service performance will be monitored through agreed Performance Indicators contained in the Contract.

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Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Local Land Charges	13. Possibility of parts or all of the service being transferred to Land Registry	Medium/High	<ul style="list-style-type: none"> - Financial Implications - Staffing Implications 	Section Manager	<p>Monitor developments</p> <p>(A consultation took place in January 2014 by Land Registry with a view to taking over the Local Land Charges register functions in the first instance and possibly the CON29 functions in the future.</p> <p>This was reported to CMG in February 2014.</p> <p>Consultation closed in early March but it is unclear as to when anything will be published as a result).</p>

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REGENERATION AND COMMUNITY SERVICES – REGISTER OF KEY RISKS

Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, timeframe for implementation and latest position
Regeneration and Planning Policy	Failure of Interreg ACE programme	Low/ Medium	Financial and reputational loss	External Funding Manager	2 nd Major Modification re-allocated budget between Partners and agreed an extension to 30 September 2014, which should result in full expenditure. Programme delivery is on target.
Regeneration and Planning Policy	Withdrawal of another partner in the ACE Programme, or failure to deliver	Low / High	Jeopardises entire programme, financial loss	External Funding Manager	<i>Force majeure</i> issue. Regular monitoring and liaison with and between project leaders to identify and resolve problems. Partnership Agreement in place with all partners which provides for withdrawing partner to honour shared cost commitment. Programme currently on target. This is now very unlikely to happen at this late stage of the programme delivery.
Regeneration and Planning Policy	Delays or failure of HBC ACE project Cost overruns with the pilot retro-fit project Tenant in retrofit building objects or acts unreasonably during works.	Low / Medium Low / Medium Low / Medium	Loss of grant funding, reputational loss Additional funding may be required Delays in finishing works or not being able to complete works	Neighbourhood Manager (PD)	Project on target against modified programme timeframes and targets. Project team meets regularly to monitor progress and resolve issues as they arise. Works to 30-36 Theaklen Drive completed. Works to 12 – 14 Theaklen Drive have been tendered and are due for completion by 15 th August 2014
Regeneration and Planning Policy	Failure of Coastal Communities Fund project	Low / Medium	Risk of financial liability if invalid payments to College or Pier approved, and	Neighbourhood Manager (PD)	Service Level Agreements (SLAs) with Partners completed and funding received from govt. Operational delivery has now commenced. Regular monitoring and liaison with and between project Partners. Claims assessed against funders'

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Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, timeframe for implementation and latest position
			reputational damage to Council and delivery partners.		requirements before released to beneficiaries (payment in arrears). Pier capital spends approximately 3 months behind schedule mainly due to adverse weather conditions.
Regeneration and Planning Policy	Failure to achieve targets for SUCCESS RGF-funded scheme (306 new jobs, £2.1m grants)	High / Medium	Reputational and Financial risks	Econ. Devt. & Inclusion Mgr / External Funding Mgr	Financial risk primarily related to recovery of management costs capped at 5% of grants awarded. Risks mitigated through: Partner Agreement requiring our two partners (Thanet and Tendring) to cover some management costs if these cannot be recovered from govt; Offer Letter to Beneficiaries indemnifying Council against financial losses arising from negligence; and job creation and capital expenditure are pre-requisites for grant payment. Risks monitored through Management Group chaired by Lead Member for Regeneration, and Head of Regeneration as Vice-Chair. Scheme launched Dec 2013. Other mitigating actions include concerted promotion of scheme in Thanet and Hastings by regeneration officers.
Regeneration and Planning Policy	Failure to deliver contractual obligations of Arts Council grant	Low / Low	Withholding of funds, reputational damage	Neighbourhood Manager (JC)	Three years of grant funded activity successfully delivered. Final payment of £15k outstanding subject to satisfactory activity report which is completed and with Audit who will confirm expenditure before submission to ACE.
Regeneration and Planning Policy	Failure to achieve MSC re-certification within timescale	Medium/ Low	Reputational loss	Neighbourhood Manager (JC)	The necessary work to achieve recertification in Hastings has been completed. We await the lifting of the Marine Stewardship Council suspension of mackerel certification along with other fisheries. This is dependent on resolution of an issue with Iceland and the Faroes fishing industry. The annual audit for 2013 has been completed and FLAG funding is being applied for to enable the 2014 and 2015 annual audits and the expansion of the Chain of Custody to proceed. In addition an expedited process to certify plaice will take place in 2014.

OPERATIONAL RISK REGISTER

June 2014

Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, timeframe for implementation and latest position
Regeneration and Planning Policy	FLAG programme: failure to deliver contractual obligations	Medium/ High	Loss of reputation, financial loss	Neighbourhood Manager (JC)	Dedicated full-time programme animator in post. Fisheries Local Action Group (FLAG) Executive Delivery Group (EDG) maintaining robust approach to programme management. Latest iteration of project action plan shows commitments in line with original allocation and as a consequence the business case for an additional £250k to cover pipeline projects will be submitted to the MMO in March 2014. The indicative intervention rate is within the acceptable range. The programme extension was granted which means that commitments need to be in place by June 2014 and delivery of projects and claims completed by December 2015.
Regeneration and Planning Policy	Unachievable private sector match requirements to deliver individual FLAG projects	Medium/ High	Financial loss – inability to draw down full grant	Neighbourhood Manager (JC)	Manage expenditure and contractual commitments. EDG have secured private sector partners to meet the needs of the programme and the MMO have accepted the need for some public sector match due to local circumstances. The MMO is the accountable body and grant is drawn down in arrears, so no risk of clawback in the event of insufficient match.
Regeneration and Planning Policy	Failure to secure major funds to continue regeneration priorities	Medium / High	Financial delay to medium and long term regeneration plans	Head of Regeneration and Planning Policy	This will assist Bids being developed for Coastal Communities Round 3 for cultural/ heritage/ tourism; and to ESCC and HLF for White Rock Baths. HBC officers active – albeit limited because of capacity issues - in thematic group work around LEP to position Hastings TTWA as meriting investment of LEP devolved funding. Confirmation that Hastings (with the exception of St Helens and Conquest wards) is included on 2014-2020 UK Assisted Area map (subject to ratification by EU), will be very helpful in making the case for continued public sector investment in the town.

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OPERATIONAL RISK REGISTER

June 2014

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Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsi bility for controls	Steps to mitigate risk, timeframe for implementation and latest position
Regeneration and Planning Policy	Failure to deliver Local Plan within required timeframe	Medium / High	Reputational loss, loss of local control through government imposed regulations and strictures, financial.	Strategic Planning Manager	<p>The new Local Plan, to supersede the Local Plan adopted in 2004, will be made up of the Planning Strategy (PS) and the Development Management Plan (DMP) which includes site allocations.</p> <p>The PS was adopted at the meeting of the Council on 19th February 2014. By law, people have a 6 week period from the date of adoption of the PS to apply to the High Court against decision to adopt. In the case of the PS, the last date for these applications is 2 April 2014. Any applications must be made on the following grounds, as detailed in Section 116 of the Planning and Compulsory Purchase Act 2004:</p> <ul style="list-style-type: none"> a) the document is not within the appropriate power; b) a procedural requirement has not been complied with. <p>The proposed submission version of the DMP was the subject of formal consultation between 21st January and 15th April 2013. Due the need to await the adoption of the PS and associated delay in submitting to the Secretary of State (SofS) and the Planning Inspectorate (PINS) a further formal consultation has been required on the advice of PINS. A revised proposed submission version of the DM Plan was the subject of formal consultation for a six week period from 10th March until 22nd April 2014. Following consideration at Cabinet and possibly Council the DMP will then be submitted to the SofS & PINS with an Examination later in 2014. Adoption is anticipated later in 2015.</p>

OPERATIONAL RISK REGISTER

June 2014

Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsi bility for controls	Steps to mitigate risk, timeframe for implementation and latest position
Regeneration and Planning Policy	Stretched/ insufficient staff capacity	High / Medium	Failure to deliver corporate / contractual targets / unsound operational decision making / reputational and/or financial cost/loss	Head of Regenerat ion and Planning Policy	Insufficient capacity within current staffing levels to effectively deliver all activities, including some externally funded programmes and associated increase in levels of stress. Mitigation measures: Secure external contractors as required to cover workload peaks, curtail/reduce activities of lesser priority.

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Agenda Item No:

Report to: Audit Committee

Date of Meeting: 26th June 2014

Report Title: Annual Treasury Management Report 2013-14

Report By: Peter Grace
Head of Finance

Purpose of Report

This report provides the opportunity for the Audit Committee to scrutinise the Treasury Management activities and performance of the last financial year. A similar report will be considered by Cabinet along with any recommendations made by the Audit Committee.

Recommendation(s)

- 1. To consider the report and comment on any areas that it wishes to draw to the attention of Cabinet**

Reasons for Recommendations

To ensure that members are fully aware of the activities undertaken in the last financial year, that Codes of Practice have been complied with and that the Council's strategy has been effective in 2013-14. As delegated by Council the Audit Committee is tasked with scrutinising these activities and to draw to Cabinet's attention any matters it considers important.

Introduction

1. The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2009 was adopted by this Council on 15th February 2010 and this Council fully complies with its requirements.
2. The primary requirements of the Code are as follows:
 - a) Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
 - b) Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.
 - c) Receipt by the Full Council of an annual treasury management strategy report (including the annual investment strategy report for the year ahead, a mid-year review report (as a minimum) and an annual review report of the previous year.
 - d) Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
 - e) Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body which in this Council is the Audit Committee.
3. Treasury management in this context is defined as:

“The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. ”
4. The purpose of this report is to meet one of the above requirements of the CIPFA Code, namely the annual review report of treasury management activities, for the financial year 2013-14.
5. This annual Treasury report covers
 - a) capital expenditure and financing 2013-14
 - b) overall borrowing need (the Capital Financing Requirement)
 - c) treasury position as at 31 March 2014;
 - d) performance for 2013-14;
 - e) the strategy for 2013-14;
 - f) the economy and interest rates in 2013-14;
 - g) borrowing rates in 2013-14;
 - h) the borrowing outturn for 2013-14;
 - i) debt rescheduling;

- j) compliance with treasury limits and Prudential Indicators;
- k) investment rates in 2013-14;
- l) investment outturn for 2013-14;

The Council's Capital Expenditure and Financing 2013/14

6. The Council undertakes capital expenditure on long-term assets. These activities may either be:
 - Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
 - If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need.
7. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

Table1: CAPITAL PROGRAMME FINANCING 2013-2014

	Outturn 2013-14 £000's
<u>Expenditure</u> :	2,973
<u>Financed by</u> :	
Borrowing	0
Grants	1,746
Reserves	375
Capital Receipts	657
Contributions	195
	2,973

The Council's Overall Borrowing Need

8. The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend.

9. Part of the Council's treasury activities is to address the funding requirements for the Council's borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.
10. The Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.
11. The total CFR can also be reduced by:
 - the application of additional capital financing resources (such as unapplied capital receipts); or
 - charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).
12. The Council's 2013/14 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2013/14 by Council on the 19/02/2013.
13. The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which increase the Council's borrowing need. No borrowing is actually required against this scheme.

Table 2 CFR : General Fund	2012/13	2013/14	2013/14
	Actual	Estimate	Actual
	£'000	£'000	£'000
Opening balance	16,523	16,945	16,945
Add unfinanced capital expenditure	149	3,620	0
LAMS	1,000	0	0
Less MRP	-496	-503	-503
Less finance lease arrangements	-231	-70	-70
Closing balance	£16,945	£ 19,992	£16,372

14. Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
15. The Council's long term borrowing must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2013/14 plus the expected changes to the CFR over 2013/14 and 2014/15 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2013/14. The table below highlights the Council's gross borrowing position against the CFR, which provides an indication of affordability for the Council. The Council has complied with this prudential indicator.

Table 3	2012/13	2013/14	2013/14
	Actual	Estimate	Actual
	£'000	£'000	£'000
Gross borrowing position	11,500	£ 15,120	(£11,500)
CFR	£16,945	£ 19,992	£16,372

Treasury Position as at 31 March 2014

16. The Council's debt and investment position at the beginning and the end of the year was as follows:

Table 4 Debt	31st March 2013 Principal	Rate	Maturity	31st March 2014 Principal	Rate
PWLB Loan1	£7.5m	4.80%	2033	£7.5m	4.80%
PWLB Loan 2	£1.0m	2.02%	2016	£1.0m	2.02%
PWLB Loan 4	£1.0m	1.63%	2018	£1.0m	1.63%
	-----			-----	
	£8.5m			£9.5m	
PWLB Loan 3	£2.0m	0.55% (Variable Rate)	2019	£2.0m	0.57% (Variable Rate)
Total Debt	£11.5m	3.54%		£11.5m	3.54%

Table 5 Investments	31st March 2013 Principal	31st March 2014 Principal
-In-House *	£17.43m	£19.87m
Total Investments*	£17.43m	£19.87m

* excludes deposits held in respect of the Local Authority Mortgage Scheme

Performance Measurement (2013-14)

17. Table 6 below compares the Estimated Interest Payable and Received and associated fees for the year 2013-14.

Table 6	2012 -13 Actual Outturn £000's	2013 -14 Revised Budget £000's	2013 -14 Actual Outturn £000's
Gross Interest Payable	370	421	407
Gross Interest Received	(306)	(186)	(264)
Fees	12	13	12
Other (e.g. PWLB Discount)	(51)	(53)	(53)
Net Cost	25	195	102

18. The variance from the revised budget in the interest payable and investment interest receivable is partly the result of changes to the programming of grants and loans to Coastal Space (£3.62m – now due in 14/15). This has led to reduced external interest payments and a higher level of funds to invest in the year.
19. The net interest on the LAM scheme (as below) is being transferred into the mortgage reserve.

Table 7	2012 -13 Actual Outturn £000's	2013 -14 Revised Budget £000's	2013 -14 Actual Outturn £000's
Gross Interest Payable	20	36	36
Gross Interest Received	(45)	(64)	(64)
Net Surplus	(25)	(28)	28)

20. The Council's longer term cash balances comprise, primarily, revenue and capital resources, although these will be influenced by cash flow considerations. The Council's core cash resources are detailed below, and were in line with budget expectations.

Table 8 Balance Sheet	31 March 2013 £'000	31 March 2014 (Est) £'000
Balances	500	500
Earmarked & General Reserves	15,822	15,141
Usable capital receipts	0	0
Government Grants Reserve	745	547
Total	£17,067	£16,188

The Strategy for 2013-14

21. The expectation for interest rates within the strategy for 2013/14 anticipated low but rising Bank Rate (starting in quarter one of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2013/14. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

22. In this scenario, the treasury strategy was to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk.

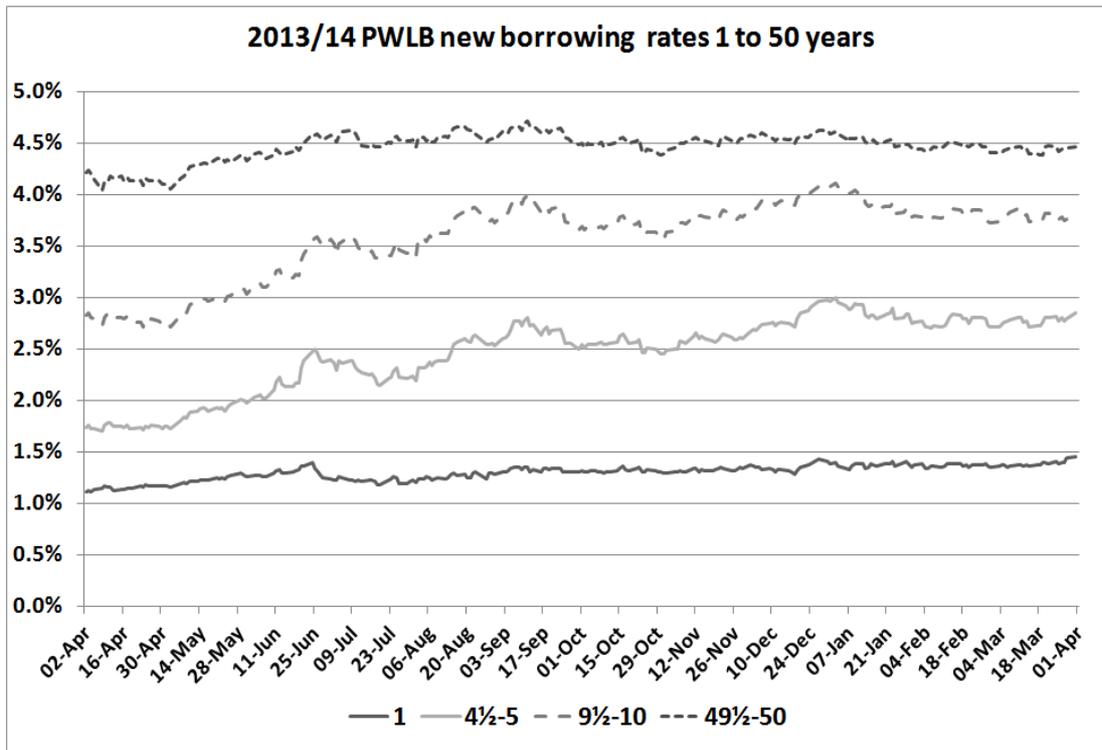
The Economy and Interest Rates

23. The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter one 2015. This forecast rise has now been pushed back to a start in quarter three 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during the year. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead. RPI is higher at 2.5% (April 2014)
24. Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality. The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.
25. The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.
26. The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

Borrowing Rates in 2013-14

27. PWLB borrowing rates - the graphs and table for PWLB maturity rates below show, for a selection of maturity periods, the high and low points in rates, the average rates, spreads and individual rates at the start and the end of the financial year.

Table 9: PWLB rates



PWLB certainty rates quarter ended 31.3.2014

Table 10	1 Year	5 Year	10 Year	25 Year	50 Year
Low	1.13%	2.48%	3.52%	4.21%	4.18%
Date	07/01/2014	05/02/2014	27/02/2014	17/03/2014	17/03/2014
High	1.26%	2.80%	3.90%	4.45%	4.40%
Date	31/03/2014	02/01/2014	02/01/2014	02/01/2014	02/01/2014
Average	1.18%	2.60%	3.64%	4.31%	4.27%

28. The table above highlights the fluctuation in borrowing rates throughout the year for different borrowing periods (in years). Members would be able to scrutinise the timing of any borrowing decisions with this information.

Borrowing Outturn for 2013/14

29. There was no additional long term borrowing undertaken in 2013/14.

Debt Rescheduling

30. The Council examined the potential for making premature debt repayments in order to reduce borrowing costs as well as reducing counterparty risk by reducing investment balances. No rescheduling was undertaken during the year as the differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

Compliance with Treasury Limits

31. During the financial year the Council operated within the treasury limits and Prudential Indicators set out in the Council's annual Treasury Strategy Statement. The outturn for the Prudential Indicators is shown in Appendix 1.

Investment Rates in 2013-14

32. Investment rates available in the market have continued at historically low levels and have fallen further during the last year. The funds invested during the year were often available on a temporary basis, and the level of funds available was mainly dependent on the timing of precept payments, receipt of grants and progress on the capital programme. The Council holds approximately £15m core cash balances for investment purposes (i.e. funds available for more than one year).

33. The table below shows the bank base rate and the PWLB rates forecasts.

	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17
Bank rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.25%	1.50%	1.75%
5yr PWLB rate	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	3.70%	3.70%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.20%	4.30%	4.40%	4.50%	4.50%
25yr PWLB rate	4.40%	4.40%	4.50%	4.60%	4.70%	4.70%	4.80%	4.90%	5.00%	5.00%	5.10%	5.10%	5.10%
50yr PWLB rate	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%	5.10%	5.10%	5.20%	5.20%

Capita Asset Services undertook a review of its interest rate forecasts in February 2014. This forecast now includes a first increase in Bank Rate in quarter four of 2015 (previously quarter two of 2016), and reflects greater caution as to the speed with which the MPC will start increasing Bank Rate.

Investment Strategy

34. The strategy has not changed during the year, other than Investment returns being significantly lower and for a longer period than previously anticipated, although a base rate rise looks more likely in 2015.

Investment Outturn for 2013-14

35. Investments held by the Council - the Council maintained an average balance in the year of £23m. The average rate of return for the year was 0.85% (1.04% including LAMS scheme deposits). The comparable performance indicator is the average 7-day LIBID rate (un-compounded), which was 0.354%.
36. The table below provides a snapshot of the investments held at 31 March 2014.

Table12 Counter Party	Rate/ Return	Start Date	End Date	Principal	Term
Commonwealth Bank of Australia	0.25%	31/3/14	9/4/14	£1.85m	Fixed
Nat. West (60 Day notice)	0.6%			£5.0m	Fixed
Nordea Bank	0.55%	17/3/14	17/09/14	£5.0m	Fixed
Barclays Bank	0.65%			£2.997m	On Call
Lloyds Bank	1.1%	11/4/13	11/4/14	£5.0m	Fixed
Total				£19.847m	

The above table excludes two £1million deposits that are held with Lloyds bank as part of the Local Authority Mortgage scheme; the deposits are held for periods of 5 years.

37. No institutions in which investments were made during 2013/14 had any difficulty in repaying investments and interest in full during the year.

Financial Implications

38. The security of the Council's monies remains the top priority within the strategy. The past year has seen the continuing historically low level of interest rates available to investors.
39. However, the net position once borrowing costs and investment interest are considered is an improved position, the net cost reducing to £102,000 from an estimated £195,000. This is partly the result of the reprofiling of the lending to and grant payment to Amicus Horizon as part of the Coastal Space initiative.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	No
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

Treasury Management and Annual Investment Strategy 2013/14, Cabinet, 18 February 2013
CIPFA - Treasury Management Code of Practice (revised 2009)
CIPFA - The Prudential Code (revised 2009)

Officer to Contact

Peter Grace, Head of Finance
pgrace@hastings.gov.uk
Tel. 01424 451503

Appendix 1: Prudential Indicators

PRUDENTIAL INDICATOR	2012/13	2013/14	2013/14
(1). EXTRACT FROM BUDGET	Actual	Estimate	Actual
	£'000	£'000	£'000
Capital Expenditure	£3,650	£7,127	£2,973
Ratio of financing costs to net revenue stream	0.34%	1.2%	0.01%
Net borrowing requirement	£ 150	£3,620	£ 0
Capital Financing Requirement as at 31 March	£16,945	£20,062	£16,372
Annual change in Capital Financing Requirement	£422	£3,117	£573
Incremental impact of capital investment decisions			
Increase in council tax (band D) per annum	£0.0	£0.0	£0.0

Appendix 2: Treasury Management Indicators

TREASURY MANAGEMENT INDICATORS	2012/13	2013/14	2013/14
	Actual	Estimate	Actual
	£'000	£'000	£'000
Authorised Limit for external debt -			
borrowing	£20,000	£20,000	£20,000
other long term liabilities	£10,000	£10,000	£10,000
TOTAL	£30,000	£30,000	£30,000
Operational Boundary for external debt -			
borrowing	£20,000	£20,000	£20,000
other long term liabilities	£10,000	£10,000	£10,000
TOTAL	£30,000	£30,000	£30,000
Actual external debt	£11,500	£15,120	£11,500
Other long term liabilities	£		£
TOTAL	£11,500	£15,120	£11,500
Upper limit for total principal sums invested for over 364 days	£2,000	£6,000	£6,000

The limits set for exposure to fixed and variable rates of interest in respect of both investments and borrowing were 100%.

Maturity structure of fixed rate borrowing during 2013/14	upper limit	lower limit
under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

Agenda Item No: -

Report to: Audit Committee

Date of Meeting: 26 June 2014

Report Title: Audit Committee Report 2013/14 to Council

Report By: Tom Davies
Chief Auditor

Purpose of Report

Report from the Audit Committee on its annual review of the effectiveness of Internal Audit to Council.

Recommendation(s)

- 1. That the Audit Committee Report 2013/14 is approved for presentation to Council.**

Reasons for Recommendations

Regulation 6 of the Accounts and Audit Regulations (England) 2011 requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings.

Introduction

1. Regulation 6 of the Accounts and Audit Regulations (England) 2011 requires Local Authorities to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the authority's financial statements.
2. This report, which follows the format recommended by the Chartered Institute of Public Finance and Accountancy, sets out the review of internal control and assurance gathering process as required by the statute and accompanying guidance.
3. In addition, Regulation 6 of the Regulations requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings. Proper practices in relation to internal audit for relevant bodies for the period up to 31 March 2014 may be found in the "Public Sector Internal Audit Standards 2013". These were newly introduced with effect from 1 April 2013. We are in a transitional phase and not far from being compliant with them. We are working with the Sussex Audit Group to arrange a "peer" review of Internal Audit which must be completed by 31 March 2018.

Principal statutory obligations and organisational objectives

Responsibility for Statutory Obligations

4. The Council has formally established responsibilities for its statutory obligations through the Constitution that sets out individual officer and member responsibilities, delegations to officers and committees, and committee terms of reference. These records are accessible on the Council's website and through the Monitoring Officer.
5. Detailed officer responsibilities are set out in job descriptions and structure charts.
6. Directors are accountable for ensuring that responsibilities, authorities and any limits to authorities are appropriately and clearly established within their directorates. The Audit Committee receives internal and external audit reports and ensures that any non-compliance is remedied through appropriate recommendations, and where necessary, requires assurance that recommendations have been implemented.

Organisational objectives and priorities

7. The multi-functional nature of the Council means that there are a large number of mandatory and discretionary requirements and powers. Hastings Borough Council took action to identify its priority objectives resulting in a list of principles and priorities underpinning the Corporate Plan. The priority areas were then devolved through Directors to Service Managers in the form of Service Delivery Plans.
8. There is a Local Code of Corporate Governance. Audit Committee Terms of Reference clearly assign responsibility for the scrutiny of corporate governance arrangements to the Audit Committee.

Performance against planned outcomes

9. The Authority knows how well it is performing against its planned outcomes through a comprehensive and effective performance management system. This system monitors performance against plans, targets, and financial budgets, with quarterly reports to the Overview and Scrutiny Committees.

Identifying principal risks to achieving the objectives

10. 'Risk' is any obstacle, or potential obstacle, to the achievement of the Council's priority objectives or statutory duties. The purpose of risk management is to ensure the achievement of the Council's objectives with efficient use of resources.
11. By identifying high-risk groups or areas, corporate policies and service resources can be targeted on those groups or areas.
12. The Council has a formal Risk Management Framework that was approved by Cabinet. The Framework is designed to encourage managers to 'own' the risks associated with their areas of responsibility. Managers use a corporately agreed matrix for identifying and assessing risks and controls.
13. The council continues to ensure the identification of key risks from both a strategic and operational perspective. Using a process of self-assessment, top management re-assessed the strategic risks (those to service provision, statutory compliance, and reputation) and services assessed operational risks (financial, physical and contractual risks).
14. During 2013/14 both the Strategic Risk Register and Operational Risk Registers were regularly updated.
15. Council has approved Terms of Reference for the Audit Committee giving it a clear remit to,

"Review, evaluate and approve: The effectiveness of the Council's process for assessing significant risk exposures and the measures taken by management to mitigate risks to an acceptable level"
16. A large part of the internal audit plan is risk-driven.

Key controls for managing principal risks

17. To ensure that its controls are fully up to date with the current operating environment, Financial Operating Procedures provide the framework within which Members and Officers must operate and compliance is routinely checked through audit reports to the Audit Committee.

18. In addition, the Council has these controls in place:

- a. The Council has adopted the CIPFA Code on Treasury Management to ensure compliance with the Prudential Code
- b. An Anti-Fraud and Anti-Corruption Strategy (Fighting Fraud Locally)
- c. A Whistle-blowing Policy
- d. Codes of Conduct for Members and Officers
- e. Registers of Interests for Members and Officers
- f. A Scheme of Delegation, including financial and budgetary responsibilities
- g. Risk Registers (reviewed by Audit Committee) are updated on an ongoing basis
- h. Each service produces a Service Delivery Plan and performance is monitored through quarterly Performance Reviews
- i. A Corporate Health and Safety system of monitoring and review is in place
- j. A Corporate complaints procedure operates

Sources of assurance

19. Sources of assurance on the adequacy and effectiveness of the Council's controls over key risks include:

20. a. An Audit Committee that is a fully constituted Committee of the Council
- b. An internal Audit and Investigations service that is independent in planning, operating, and reporting, and that reports to the Audit Committee
 - c. A Chief Finance Officer with responsibility for ensuring the proper administration of the Council's financial affairs
 - d. Processes for maintaining internal control include a framework of regular management information, Financial Rules and Finance Operating Procedures, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability
 - e. A performance management system that includes commentary on service-level risk, the setting of targets for service delivery and monitoring of performance against targets and plans
 - f. A strategic Corporate Plan setting out the Council's priorities, which cascades to operational plans at service and project level, including consideration of risks
 - g. An annual budget and quarterly reviews of actual expenditure to budget
 - h. A Local Code of Corporate Governance agreed by Cabinet

- i. A project management system for major projects
- j. A Risk Management Framework
- k. Declaration of related party transactions forms for members
- l. Codes of Conduct for Members and Officers
- m. A Staff Health & Safety Group that monitors insurable and public liability risks
- n. A Corporate Risk Management Group that meets regularly
- o. Risk management processes designed to ensure that Directors and Managers retain ownership of the risks and internal controls associated with their areas of responsibility. Directors and Managers are therefore an important source of assurance on the effectiveness of controls for managing risks
- p. The Audit and Investigations service carries out audit and risk reviews of high-risk areas to provide assurance that major risks have been identified and are being actively managed, and that the internal control environment is adequate
- q. The Head of Finance in his role provides a source of assurance that the requirements of the Local Government Act 1972 Section 151 are being met
- r. The Monitoring Officer, undertakes the relevant statutory duties and provides a source of assurance that the Council's affairs are conducted in compliance with relevant legislation and Codes of Conduct
- s. External audit provides a source of assurance on the operation of internal controls in that BDO inspects internal audit work at each annual external audit.

Evaluation of assurances and identification of gaps

The Audit and Investigations Service

21. On the basis of the audits reported to the Audit Committee by the Audit and Investigations Division, the audit conclusion is that during the year 2013/14, all of the Council's operations that were audited incorporate control systems that are 'Satisfactory' or better.
22. In financial systems, the audit aims to evaluate the strength of controls for ensuring the proper administration of financial resources. In the audit of non-financial areas, the audit aims to evaluate the strength of controls for ensuring that external obligations are met and that the success criteria of the activity under review are achieved. The following table shows the audit conclusion for each of the main audits carried out in 2013/14.

23.

Audit Conclusion	No of Audits
A: Good More than the key controls are in place and work effectively. While improvement may be possible, there are no significant audit concerns	1
B: Satisfactory The key controls are in place and work effectively. Improvement is possible but there are no significant audit concerns	4
C: Adequate but with reservations in some areas Some controls in place are adequate but there are audit concerns in some areas	0
D: Poor Controls are not adequate or not present or not adequately complied with. Improvement is essential	0
Total audits	5

24. This compares with previous years as follows:

Audit Conclusion	2010-11	2011-12	2012-13	2013-2014
	No of audits	No of audits	No of audits	No of audits
A, B: Good / Satisfactory	8	5	8	5
C, D: Adequate / Poor	0	1	0	0

25. The audit conclusions are defined in the service's own Internal Audit Manual.

26. The Internal Audit plan was not completed by 31 March 2014. This was because of difficulties encountered auditing the Housing Benefit Grant Subsidy. However, all of the International Auditing Standards work was completed within the deadlines.

27. Based on the audit work undertaken by Internal Audit, the Authority's overall internal control system is considered to be satisfactory.

External Audit

28. External audit is carried out by BDO and is an important source of assurance on the adequacy of the Council's arrangements for ensuring proper arrangements for its financial affairs. During 2013/14 the Audit Committee received the following reports:

Report Title	Date issued
BDO Planning Letter 2013-14 (fee letter)	June 2013
External Audit Report on final Accounts	Sept 2013
Annual Audit Letter 2012/13	Oct 2013
Planning Letter 2013/14	Dec 2013
Grant Claim and Returns Certification for the year ended 31/03/13	Mar2013
External Annual Audit Plan 2013/14	Mar2013

29. BDO gave an unqualified opinion on the Council's accounts for 2012/13 and an unqualified opinion on value for money and concluded that the Council's 2012/13 expenditure plans were met.

Areas of audit concern arising from internally conducted audits

30. Although risk levels changed, there were few concerns arising from internally conducted audits.

Areas of audit concern arising from External Audit

31. No significant areas of audit concern have been highlighted in the Annual Audit Letter (October 2013).
32. The key findings reported in it were:
- (i) Our audit of the financial statements for the period ended 31 March 2013 was completed by 30 September 2013 in line with the statutory deadline. Our final Annual Governance Report was considered by the Audit Committee on 25 September 2013 when the financial statements were approved. We issued an unqualified opinion.
 - (ii) We issued an unqualified value for money conclusion. We found some strengths in the Council's arrangements for ensuring financial resilience and positive outcomes in the areas of significant risk we identified for securing economy, efficiency and effectiveness in the use of resources.
 - (iii) We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with .Delivering Good Governance in Local Government. (CIPFA / SOLACE).
We submitted our short form assurance statement on the Whole of Government Accounts return before the Government's deadline of 4 October 2013. No issues arose from our work.
The Council reported positive performance towards its priorities in the year.

Policy Implications

Risk Management

33. This report has referred to the way that the council manages its risks.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

External audit Annual Governance Report 2012/13
External audit Annual Audit Letter 2012/13

Officer to Contact

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Agenda Item No: -

Report to: Audit Committee

Date of Meeting: 26 June 2014

Report Title: Annual Governance Statement 2013/14

Report By: Tom Davies
Chief Auditor

Purpose of Report

For publication alongside the Financial Statements in compliance with the Accounts and Audit Regulations 2011.

Recommendation(s)

- 1. That the Audit Committee recommends that the Leader and the Director of Corporate Resources sign the Annual Governance Statement**

Reasons for Recommendations

To comply with the legal requirement that the Council produces an annual statement on its governance arrangements.

Under the duty imposed by the Accounts and Audits (England) Regulations 2011, Councils are under a duty to produce an Annual Governance Statement. This requirement is reflected in the 'Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (CIPFA/LASAAC)'. The purpose of this document is to provide an assurance on the adequacy of the Council's control and governance mechanisms.

It is a requirement that the Leader and Director of Corporate Resources sign the Annual Governance Statement before publication on the website.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	Yes
Local People's Views	No

Background Information

CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)' 2012 Edition

Delivering Good Governance in Local Government - Adendum December 2012

Effectiveness and capacity of the Senior Management Structure, and its working relationship with the Political Leadership (An internal report)

Previous year's Annual Governance Statement 2012/13

Annual Governance Statement 2013/14 - Appendix A

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Hastings Borough Council

Annual Governance Statement 2013/2014

Scope of responsibility

1. Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering good governance in local government" (2012 Edition).
3. A copy of the code is on our website at www.hastings.gov.uk . This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

The purpose of the governance framework

4. The governance framework comprises the systems and processes, culture and values for the direction and control of the authority and its activities through which it accounts to, engages and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
5. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risks to the achievement of policies, aims and objectives and therefore provides a reasonable rather than an absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Hastings Borough Council policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

6. The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2014, up to the date of approval of the Statement of Accounts.

The governance framework

7. The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:
 - Hastings Borough Council continues to have an established Corporate Plan setting out a strategic overview and the priorities that guide our investment and activities. Part II of the Corporate Plan sets out the Council's work plan for the current financial year with targets and performance indicators which are monitored and reported on publicly every quarter.
 - Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Member portfolios. There are two Overview and Scrutiny Committees which cover all portfolios. An Audit Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. It undertakes the core functions of an audit committee as identified in 'CIPFA's Audit Committees: Practical Guidance for Local Authorities'. The Constitution is reviewed at least annually by the Monitoring Officer and is codified into one document that is available on the external web pages.
 - Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme in place for new staff and information regarding policies and procedures are held on the intranet which continues to be enhanced and developed.
 - The Council has an Internal Audit function and established protocols for working with External Audit. External Audit also reviews compliance with policies, procedures, laws and regulations within their remit.
 - Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction of new policies and procedures.
 - The Council's Risk Champion is the Director of Environmental Services who leads the Corporate Risk Management Group to meet regularly and discharge further work that is acknowledged as necessary. This also incorporates the Health & Safety framework.
 - The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors or members of the public to confidentially raise with the Council any suspicions they may

have. There is also a customer complaints system that is monitored by management quarterly.

- Hastings Borough Council's Internal Audit function continues to support managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process throughout the Council. The high-level risk management methodology was reviewed to provide more focus to member and senior officer management of risk. The Corporate Risk Register is formally reviewed at least once a quarter by Corporate Management Group (CMG) and the Operational Risk Registers are regularly reviewed at Directorate Management Team (DMT) meetings.
- The Audit Committee perform an annual rigorous review of the Corporate and Operational Risk Registers and also when new emerging risks arise.
- Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised. The External Auditor passed an unqualified audit opinion on value for money providing assurance to the public over its financial resilience and that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
- Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, Agresso, which integrates the general ledger function with those of budgetary control and payments. These are supported by the Financial Operating Procedures (FOPs) Manual held on the Council's intranet which contains information on financial and business procedures and processes to be followed in all areas of the Council.
- A scheme of delegation which sets out the powers of Directors, the Financial rules and Contract Standing Orders form part of the Constitution. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated if necessary.
- Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. In response to the de-regulation of Performance Management the Council has focussed its quarterly reporting of data on 31 Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the Service's Part II commitments, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded and monitored using the Performance Plus computer system.

- Hastings Borough Council is the Trustee for all purposes to the Foreshore Trust. Its business is conducted through the Charity Committee which meets every quarter. The charity has a Protector to protect the charity from conflicts of interest, financial and otherwise, arising from the Council's position as charitable trustee and local authority with its own priorities. At Annual Council, the Leader of the Council allocates responsibilities of the Cabinet to include Chair of the Charity Committee.

Changes to the Council's Structure and Governance arrangements

- There have been no significant changes to service provision that have impacted on the governance arrangements at Hastings Borough Council since the last Annual Governance Statement was published.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Chief Finance Officer in Local Government (2010)'

8. The Head of Finance is the Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Head of Internal Audit in Local Government (2010)'

9. The role of the Chief Auditor at Hastings Borough Council complies with the CIPFA statement. This is fully met except that the Chief Auditor has some responsibility for oversight of Housing Benefit and Council Tax Investigations. The independence is enhanced through the Chief Auditor's job description and also by overview of the Section 151 Officer.

Review of effectiveness

10. Hastings Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and effectiveness of Internal Audit. The review of effectiveness is informed by the work of the Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's annual report to Council and also by comments made by the external auditors and other review agencies and inspectorates.
11. The Council contributes to the delivery of the town's Sustainable Community Strategy through its membership of the Local Strategic Partnership and via targets included in the Corporate Plan. The Council monitors and reports publicly on progress so residents can see how

issues that matter to them are being tackled. The plan is monitored on a quarterly basis by Overview and Scrutiny Committees.

12. The Council's constitution sets out the responsibilities of both Members and their senior managers. In particular, the Council has identified the three statutory posts as follows:

Head of Paid Service - Director of Corporate Resources

Section 151 Officer - Head of Finance

Monitoring Officer - Head of Corporate Services

13. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE guidance and has developed a local code of corporate governance.
14. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. Responsibilities of the Section 151 officer transferred from the Director of Corporate Resources to the Head of Finance who is now responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2011. The Internal Audit service is managed, independently, by the Head of Finance and operates in accordance with the CIPFA code of practice for Internal Audit in Local Government 2006. It is in the transition of adopting the Public Sector Internal Audit Standards which came into effect on 1 April 2013. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Corporate Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.
15. The Council's review of the effectiveness of the system of internal control is informed by:
 - Directorate assurance based on management and performance information
 - Scrutiny reports covering a planned scrutiny review programme but also any item can be subject to a scrutiny review

- Work undertaken by Hastings BC Internal Audit during the year and summarised in the Annual Internal Audit Report
 - Work undertaken by the external auditor reported in their Annual Audit Letter and particularly their audit opinion on the Financial Statements and on Value for Money
 - Other work undertaken by independent inspection bodies.
 - Corporate Management Group and Audit Committee review of the Corporate and Operational Risk Registers
16. From the work undertaken by Hastings Audit in 2013/14 the Chief Auditor was able to give the following assurance "I am able to provide a reasonable assurance on the key areas of risk management, corporate governance and financial control". In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts.
17. The Council's management arrangements for securing data quality were reviewed by audit and found to be effective.

Significant governance issues

18. The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'. There is 1 new issue to report and an update to the emerging risk reported last year.
19. Essential repairs are needed to Aquila House which is the council's main operational building. The landlord is co-ordinating the refurbishment of the building commencing mid 2014. Consequently, this will involve office moves and other disruption which could impact on service performance.
20. In the last Annual Governance Statement, it was reported that there was a significant emerging risk relating to the reduction in Government grant funding. A balanced budget for 2014/15 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.
21. This year has again, been a period of change and development. There have been continuing financial pressures. Despite this challenging environment there have been significant achievements and continuing improvement in the Council's overall governance arrangements. Where we have identified areas for further improvement we will take the necessary action to implement changes that will further develop our governance framework.

Signed:.....

Leader of the Council

Signed:.....

Director of Corporate Resources

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Agenda Item No:

Report to: Audit Committee

Date of Meeting: 26 June 2014

Report Title: Chief Auditor's Summary Audit & Risk Report

Report By: Tom Davies
Chief Auditor

Purpose of Report

To inform the Audit Committee of the recent audit findings of the Payroll, Income and Main Accounting System internal audit reports.

Recommendation(s)

1. That the Audit Committee accepts the report

Reasons for Recommendations

To monitor levels of control within the organisation.

Summary Report to Audit Committee - Payroll

Audit Conclusion

Overall Audit Assessment: A – Good.

Controls are in place and are working effectively. There are no significant audit concerns. There are no recommendations made.

Key Findings

The Payroll system is administered effectively and efficiently.

The Payroll is processed through iTRENT which is an integrated human resources and payroll system. The system is one comprehensive staffing database which is held, administered and controlled within the People and Business Support Team. The more efficient method of using one database requires the adoption of compensating controls within the People and Business Support Team. These compensating controls have been agreed with Internal Audit and there is sufficient segregation of duties.

There are systems operating and back up arrangements in place to ensure the payroll function is correctly performed.

Management Response

Agreed.

Summary Report to Audit Committee - Income Systems

Background Information

In the course of any one year the Council will account for in excess of £245 million income received into its bank accounts. It is imperative that all income is accounted for accurately and in a timely manner. In order that this can be achieved all modern businesses have to actively promote and use electronic methods of accepting and accounting for payments received.

Audit Assessment

C - Adequate – Some controls are in place and functioning. However some major issues were noted. Action needs to be taken to improve control in those areas. Some high and some medium recommendations have been made.

Key Findings

Controls and processes are in place within the services to receive cash, cheques and credit/debit cards.

Safes are available and adequate to secure cash on all premises where income is received.

There is adequate insurance cover for cash held on the Council premises.

The cash bank reconciliations are being completed monthly but have not been checked by senior management.

The Council changed its private security company. This company transports takings from various locations to its bankers and empties, counts and banks coin from the Council's car parking machines. New processes have had to be developed to accommodate the paperwork used by the new service provider. These processes have now been put in place and reconciliations have been completed to the end of March 2014. However processes need to be set up to ensure monthly reconciliations are done and signed off by senior management.

Financial services need to create a system of automatically reporting the total value of cash collected by the security company and not deposited into the Council's bank account.

The controls within the financial services necessary to confirm monies from Council establishments are accurately recorded and banked in a timely manner are weak. The key control is a timely reconciliation of all income received to amount actually banked. Although the holding account is being monitored a full reconciliation is not being completed and therefore not all 'overs' or 'shortages' are highlighted. The reconciliation requirements have been discussed with the staff involved with suggestions on how to make the operation easier. Coupled with the full reconciliation of the holding accounts written procedures should be produced and the monthly reconciliation checked by a senior member of staff.

Management Response

We agree the findings and are taking the recommended action.

Summary Report to Audit Committee - Main Accounting System

Background information

The main Accounting system is managed and maintained by Accountancy and Exchequer Services. The main computer system which incorporates the general ledger (Agresso) has been in use since 2005 and was upgraded to version 5.5 in 2011. The system is a fully integrated financial management system which includes payments and income receivable modules and will provide budgetary information to services. The system will also provide the annual accounts for the Council. There will be a number of feeder systems that will pass banking transactions, income and payroll information, data regarding council tax, non domestic rates and housing benefit and other financial data into the main accounting system.

The Agresso system is run jointly with Lewes District Council (LDC) and Rother District Council (RDC). The system is hosted by Lewes DC and there are network links to Hastings run by East Sussex County Council.

Every year Internal Audit undertakes a review of the main accounting system on behalf of our external auditors which provides a basic assurance that the system is sound and working effectively.

The audit approach has been to confirm compliance with statutory requirements and identifying of best practice and operational efficiency.

Overall Audit Assessment;

B - Satisfactory

Some controls are in place and functioning, however, some issues were noted. Action needs to be taken to improve controls in these areas. Some high and medium recommendations have been made.

Key Findings

The Accounts for the year ended 31st March 2013 had an unqualified audit opinion and were completed and presented to the Audit Committee in the September of that year.

The external auditors BDO concluded that the key financial systems were generally adequate and showed no significant weaknesses stating that financial statements produced by the Council were of a high standard and agreed to the underlying records.

This audit has confirmed these comments and it is considered that controls over Main Accounting are adequate and the accounts staff and budget managers are fully aware of their responsibilities.

The previous internal audit report noted the then Chief Accountant was leaving in 2010. Since then his successor left in July 2013 and was not replaced until December that year. The Senior Accountant also left in March 2013 and was not replaced until November 2013. In addition the Systems Accountant responsible for maintaining Agresso also left. The loss of these key staff and knowledge has proved difficult;

however, the service successfully maintained budgetary control and set the 2014/2015 budget.

The loss of these skills highlighted the need for comprehensive procedures and tight controls over program changes and password access to the systems. Senior staff need to regularly review key reconciliations.

The Council needs to work closely with our 2 partners to ensure the facilities within Agresso are used to its optimum level to provide the necessary effectiveness and efficiency.

Management Response

We agree the findings and are taking the recommended action.

Wards Affected

None

Area(s) Affected

None

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	No
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No

Background Information

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