

Audit Committee Agenda

Monday, 22 June 2015 at 6.00 pm

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

If you are attending the Town Hall for this meeting, please enter the building via the Queens Road entrance opposite the cinema.

For further information, please contact Emily Horne on 01424 451719 or email: ehorne@hastings.gov.uk

	Page No.
1. Apologies for Absence	
2. Declarations of Interest	
3. Minutes of the meeting held on 9 March 2015	1 - 4
4. Strategic Risk Register <i>(Director of Corporate Services and Governance)</i>	5 - 14
5. Operational Risk Register <i>(Director of Corporate Services and Governance)</i>	15 - 64
6. Annual Treasury Management Report 2014-15 <i>(Assistant Director – Financial Services and Revenues)</i>	65 - 78
7. Audit Committee Report 2014-15 to Council <i>(Chief Auditor)</i>	79 - 86
8. Annual Governance Statement 2014-15 <i>(Chief Auditor)</i>	87 - 96
9. Updated Audit Committee Terms of Reference <i>(Chief Auditor)</i>	97 - 104
10. Chief Auditor's Summary Audit and Risk Report <i>(Chief Auditor)</i>	105 - 108
11. Notification of any additional urgent item (if any)	

Agenda Item 3

AUDIT COMMITTEE

9 MARCH 2015

Present: Councillors Clark (Vice-Chair), Birch, Charman and Edwards (as the duly appointed substitute for Councillor Beaver)

29. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Beaver and Westley.

The members of the Audit Committee were informed that this was the last meeting to be attended by the Director of Corporate Resources who was retiring. The Committee thanked him for his contribution during the past years and extended their best wishes for his retirement.

30. DECLARATIONS OF INTEREST

There were no declarations of interest made at this meeting.

31. MINUTES OF THE MEETING HELD ON 21 JANUARY 2015

RESOLVED – (unanimously) that the minutes of the meeting held on 21 January 2015 be approved and signed by the Chair as a true record.

32. NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS (IF ANY)

None.

33. EXTERNAL AUDIT PLAN TO THE AUDIT COMMITTEE (AUDIT FOR THE YEAR ENDED 31 MARCH 2015)

The Chief Auditor introduced his report on the External Audit Plan. 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 to be undertaken. The BDO Audit Plan to the Audit Committee (Audit for the year ending 31 March 2015) was appended to the report.

Leigh Lloyd-Thomas, BDO Partner, presented the plan. He informed the committee of three significant risks; management override, revenue recognition and land and buildings valuations. The management override and revenue recognition risks were generic and there was a brief discussion on land and buildings valuations.

RESOLVED – (unanimously) that the Audit Committee accept the External Auditor's Audit Plan.

AUDIT COMMITTEE

9 MARCH 2015

34. PLANNING LETTER 2015/16

The Chief Auditor introduced his report setting out the Planning Letter to consider the matters raised by the Council's external auditors (BDO) in respect of their proposed audit fees and programme of work for the 2015/16 financial year. The Planning Letter to the Audit Committee was appended to the report.

Leigh Lloyd-Thomas presented the letter. He confirmed that the overall fee for the audit for 2015/16 had been reduced by 25%.

The Director of Corporate Resources explained that the Audit Fee had in fact halved over the last four years.

Leigh Lloyd-Thomas assured the Committee that BDO would not compromise its reputation and that through smarter working; the Council will still receive a thorough audit.

RESOLVED – (unanimously) that the Audit Committee accepts the Planning Letter 2015/16.

35. PROPOSED INTERNAL AUDIT PLAN 2015/16

The Chief Auditor presented his report on the proposed internal audit plan for 2015/16. The plan will ensure that proper financial management arrangements and controls are in place and operating effectively in the Council.

The Chief Auditor circulated an amended plan. He advised of 2 additional audits; Business Continuity Planning, in response to the recent South Oxfordshire District Council fire incident and a value for money audit to be advised nearer the time.

The Social Lettings Agency prompted a lot of questions and discussion by the Audit Committee. The Social Lettings Agency starts in April 2015 and the audit of it is planned for January 2016.

The Social Lettings Agency will be looked at by Overview and Scrutiny and it is expected that the 2 reviews will complement each other.

Councillor Clark enquired whether the scheme had been risk assessed. The Chief Auditor agreed to arrange for the full operational risk register covering the Social Lettings Agency to be presented at the Audit Committee on 22 June 2015.

Councillor Edwards enquired about the proposed software licences audit. The Chief Auditor confirmed that the number of software licences across the council was decreasing but that another council had recently received a large fine for using unlicensed software.

RESOLVED – (unanimously) that the Audit Committee approves the amended Internal Audit Plan 2015/16.

AUDIT COMMITTEE

9 MARCH 2015

(The Chair declared the meeting closed at. 6.48 pm)

This page is intentionally left blank

Agenda Item 4



Report to: Audit Committee

Date of Meeting: 22 June 2015

Report Title: Strategic Risk Register

Report By: Jane Hartnell
Director of Corporate Services

Purpose of Report

To inform Members of the current strategic 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 Strategic 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 Strategic Risks tend to be more significant than Operational ones and so in order to maintain focus, this report is dedicated to the Strategic 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 Strategic 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 strategic risks is reviewed and changes in the level of perceived risks are monitored.

Main changes to risks in the past year

New risks

6. There were no new risks to report in the last 12 months.

Removed risks

7. The risk concerning the "Localism Act - Community Right to Challenge" has been removed due to much lower activity than anticipated.

Other changes to risks or their risk ratings

8. The risk of deterioration of the Council's assets (risk 8) rose from Medium3 to High1 and the risk of breakdown in contractor performance (risk 9) moved from Medium2 to High1.

Highest risks to the Council

9. 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:
 10.
 - 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 demand for council services because of 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 below:
 - 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 Deterioration of the Council's assets
 - High1 Contractual partnerships: Breakdown in contractor performance
 - 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
- High3 Disruption to service during Aquila House refurbishment

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

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

Wards 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
Anti-Poverty	No

Additional Information

Appendix A - Strategic Risk Register

Officer to Contact

Tom Davies
tdavies@hastings.gov.uk
Telephone: 01424 451524

STRATEGIC 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	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
4	Increased demand for council services because of economic/social deprivation as a consequence of the 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 Discretionary 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	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	Responsibility 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 / 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	Medium	High	High1	Financial Loss. Reputational Loss. 3 rd Party Public Liability Failure to attract new tenants	Chief Officers	Adequate level of reserves. Appropriate maintenance schedules and programmes. Ensuring tenancy obligations are met. Adequate security Insurance
9	Contractual Partnerships: Breakdown in contractor performance.	Medium	High	High1	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	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	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	Responsibility 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	Low	High	Medium3	Projects overrun in time/budget. Reputational.	Chief Officers / 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 Chief Officers	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	Responsibility 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	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	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	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	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 / Chief Legal Officer	Alternative legal power Check with Chief Legal Officer
18	Disruption to service during Aquila House refurbishment	High	Medium	High3	Service performance	Chief Officers	Planned approach Temporary alternative office accommodation

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
19	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	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 5



Report to: Audit Committee

Date of Meeting: 22 June 2015

Report Title: Operational Risk Register

Report By: Jane Hartnell
Director of Corporate 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 periodic meetings 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 26 June 2014 meeting alongside the Strategic 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. A relatively small number of risks have evolved into something different but the core risk has remained the same.

Other changes to risk ratings

8. Further work has been undertaken during the last 12 months refining the operational risk register. The number of highest risks is 3.

Highest risks to the Council

9. 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
 - Serious failure of an ageing CCTV system
10. 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.
11. The majority of the high risks are resource related and revolve around the severe financial restraints and general poor state of the economy. Also, a significant number high risks are related to demand for council services and the risk of over-commitment of the organisation with shrinking resources to obtain key objectives, for example, over-commitment of Council resources on external funding opportunities and new initiatives such as efforts to earn income. We will continue to monitor those risks carefully.
12. Details of all the operational risks can be found at appendix A.

Wards 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
Anti-Poverty	No

Additional Information

Operational Risk Register - Appendix A

Officer to Contact

Tom Davies
tdavies@hastings.gov.uk
Telephone: 01424 451524

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Corporate Services and Governance 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	- Assistant Director – Finance and Revenues	- 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	- Assistant Director – Finance and Revenues	- 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 after the mid-year review and beyond.	High / High	- Budget deficits	- CMG - Assistant Director – Finance and Revenues	- 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	- Assistant Director – Finance and Revenues	- Ensure thorough renewals process each year - Make sure we liaise with Estates to ensure all properties are adequately insured - Training and carry out inspections

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	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	- Assistant Director – Finance and Revenues - 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	- Assistant Director – Finance and Revenues - 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 - Assistant Director – Finance and Revenues - 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 & costs -Reputation Undermined	- Assistant Director – Finance and Revenues - Chief Accountant	- Regular liaison with our external auditors BDO - Train staff

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	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	- Assistant Director – Finance and Revenues - 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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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 	- Assistant Director – Finance and Revenues	<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) 	- 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	- Properties fall into disrepair	- Estates Manager	<ul style="list-style-type: none"> - Regular inspections - Adequate budget (R&R)
4	Estates	Properties not adequately insured	Low/Medium	- Council has to reinstate from own money	<ul style="list-style-type: none"> - Estates Manager - Assistant Director – Finance and Revenues 	- 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 rates could be linked to energy performance of buildings 	- Estates Manager	- Assess energy performance of our buildings and improve where necessary

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
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
8	Estates	Cost/timescale for construction of unit for BD foods	Medium/High	- Loss of income and major tenant - Increase in empty units - Adverse PR	- Estates Manager	- Feasibility study obtained to ensure costs are likely to be within agreed levels - Project tendered as soon as possible to fix costs - Legal documentation completed to ensure tenant takes a lease

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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
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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
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 	- Revs and Bens Manager	<ul style="list-style-type: none"> - Managers to work closely with HR People Strategy - Workforce planning
7	Revenues & Benefits	Impact on council tax collection rates as a result of proposed changes to the Council Tax Reduction Scheme for 2016/17.	Medium/Medium	<p>Financial:</p> <ul style="list-style-type: none"> - More council tax to collect - Increased arrears - Collection fund pressures - Budget setting. 	- Revs and Bens Manager	<ul style="list-style-type: none"> - Work with colleagues in other Local Authorities & ESCC - Consult with residents - Make contact with affected persons - Participate in Anti Poverty & Welfare Reform Working Group - Ensure residents are kept informed - Ensure a robust recovery schedule
8	Revenues & Benefits	Failure to meet collection targets in respect of business rates due to a high number of appeals that are outstanding	Medium/Medium	- 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 sufficient reserves are retained within the Resilience and Stability Reserve. - Government are seeking to resolve high level of outstanding NNDR appeals by July 2015.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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 - External peer review 2017/2018
2	Investigations	Housing Benefit Fraud or Council Tax Benefit Fraud is not rigorously investigated	Medium/Medium	Reputation undermined Claimants payments suspended for too long without just cause Council Tax overpayment does not get recovered and consequent financial impact Fraud goes uninvestigated	- Chief Auditor	- Monitoring of spreadsheet analysis from the DWP on referred cases - Meetings with DWP if SLA is not being delivered. -- Successful counter fraud bid projects Compensate New initiatives mitigating potential for Benefit fraud
3	Procurement	Risk of Legal/Finance/IT and other Corporate Services not being included at the outset of procurement especially for joint contracts	Low / Medium	- Organisational difficulties in decision taking and protecting the council	- Chief Auditor	- Introduction of new business case and project planning tools to ensure Legal/Finance/IT (and other Corporate Services as appropriate) are consulted.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service: **PEOPLE, CUSTOMER 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 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 (EM) People, Customer and Business Support	<ul style="list-style-type: none"> - Business Continuity Plan in place with software supplier reviewed - Managers and team trained on payroll process. Manual option as contingency.
2	People 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 	EM People, Customer and Business Support	<ul style="list-style-type: none"> - Transformation Programme in place – project milestones included in Corporate Plan. Risks and issues log maintained for all work streams and regularly monitored with Programme Director. - Work packages for 15/16 include Workforce Development Planning, cultural change, a specific emphasis on succession planning, and an all-staff skills audit - Project outcomes will help anticipate resources required for the future and will inform recruitment and retention.
3	People Support	Loss of key staff within the people and business support service:	High / High	<ul style="list-style-type: none"> - Support for managers / organisation reduced 	- EM People, Customer and Business	<ul style="list-style-type: none"> - Workforce planning process embedded within service areas - Workforce Development Plan (planned

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	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"> - Turnover - Redundancy/retirement - Re-structure <p>(failure to take a strategic approach to workforce planning puts key services at risk)</p>		<ul style="list-style-type: none"> - 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 	Support	<ul style="list-style-type: none"> 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 Support	Non-compliance with employment legislation Corporately	Medium / Medium	<ul style="list-style-type: none"> - Increased number of tribunal claims – costs against the Council 	<ul style="list-style-type: none"> - EM People, Customer and Business Support 	<ul style="list-style-type: none"> - 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
5.	People Support	Poor industrial employee relations	Low/High	<ul style="list-style-type: none"> - Impact on service delivery. 	<ul style="list-style-type: none"> - EM People, Customer and Business Support 	<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.
6	Business Support	Breach of Town Hall or Aquila House Security	Low/Low	<ul style="list-style-type: none"> - Legal action/Loss of reputation/ 	<ul style="list-style-type: none"> - EM People, Customer and 	<ul style="list-style-type: none"> - Perform security reviews to test security arrangements

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
		including potential contentious public meetings – asset or data loss		confidence	Business Support	<ul style="list-style-type: none"> - Ensure frequent staff awareness - Test alarms
7	Business Support	Equipment breakdown (printers, water coolers etc)	Low/Low	<ul style="list-style-type: none"> - Unable to use equipment 	<ul style="list-style-type: none"> - EM People, Customer and Business Support 	<ul style="list-style-type: none"> - Effective and efficient call-out arrangements - New Business Support Team in place, processes reviewed, training given and monitoring underway.
8	Business Support	Breach of fire and building health and safety regulations at Town Hall or Aquila House and security, especially during Aquila House building works.	Low/High	<ul style="list-style-type: none"> - Potential injury to persons 	<ul style="list-style-type: none"> - EM People, Customer and Business Support 	<ul style="list-style-type: none"> - New Business Support Team in place, processes reviewed, training given and monitoring underway. - Health & Safety Audits - Identity issued to staff with a requirement to be worn
9	Community Contact Centre	Poor quality service provision at the first point of call resulting in delays, poor advice and/or an increase in customer complaints	Low / 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 - EM People, Customer and Business Support - Corporate Customer Services Manager 	<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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
10	Community 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"> - EM People, Customer and Business Support - Corporate Customer Services Manager 	<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
11	Community 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"> - EM People, Customer and Business Support - Corporate Customer Services Manager 	<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
12	Community Contact Centre	Total systems failure	Low/High	<ul style="list-style-type: none"> - Reputation undermined - Customer dissatisfaction 	<ul style="list-style-type: none"> - EM People, Customer and Business Support - Corporate Customer Services Manager 	<ul style="list-style-type: none"> - Business Continuity Plan - Linked to IT recovery plan - Firmstep software is hosted on industry leading platform with stringent contractual SLA to recover service. - Manual processes implemented - Phone system alternative – use at Aquila House albeit with reduced capacity.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service: **CONTINUOUS IMPROVEMENT 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	Continuous Improvement & 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 	- Directors	<ul style="list-style-type: none"> - Transformation programme implementing project management tools - 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
2	Continuous Improvement & 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. 	- Continuous Improvement & Democratic Services Manager	<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 assisting with report publication being rolled out.
3	Continuous Improvement & Democratic Services	Freedom of Information Act <ul style="list-style-type: none"> - response targets not met - impact on staff time/capacity to respond 	Low/Medium	<ul style="list-style-type: none"> - Complaint to Information Commissioner - Opportunity cost impact on service delivery 	- Continuous Improvement & Democratic Services Manager	<ul style="list-style-type: none"> - Firmstep software being implemented to co-ordinate FOI responses - Information regularly published on website to direct users as alternative - Regular reviews of breadth of information made available to identify if there are further areas that can reduce FOI request

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
4	Continuous Improvement & Democratic Services	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"> - Continuous Improvement & Democratic Services Manager Chief Legal Officer 	<ul style="list-style-type: none"> - Revised corporate complaints monitoring systems implemented with resilience built within team. - Ensure frequent staff awareness - New on-line central recording system to be implemented in 2015/16 - CMG to oversee learning from complaints/trends

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service: **LEGAL AND ELECTORAL 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 Service	Regulatory enforcement – loss of staff in key area Failure to follow correct legal procedures in enforcement processes.	Low / * High (* Depends on level of court)	- Reputational -failure to deliver on priorities - Financial – Vulnerability to costs orders against the Council - Not being in a position to defend actions brought against the Council.	- Chief Legal Officer	- Legal compliance – professionally trained staff subject to CPD, training, library and on-line research tools - Capacity built within the team for cover for short term absences - East Sussex Solicitors and Secretaries (ESSAS) (when available) and shared learning groups - Agency arrangements in place with other Las if required
2	Legal Service	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	- Professional legal advice time/capacity built into project development and forward planning processes - Training, advice and support for staff and members - Legal advice available to Member decision-making meetings - Regular monitoring and review if necessary of constitution.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	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 Service	Property, Planning & Contracts: instructions - lack of full, precise and timely instructions from client departments Failure to follow procurement rules	Medium / High	- Reputational - Time pressures on funding - Financial – failure to achieve best value for authority - Financial – legal challenge from unsuccessful tenderers	- Chief Legal Officer	- 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 Service	Losing staff at a key time – impacting on resilience	Medium / High	- Financial – cost of outsourcing or locum assistance - Reputational – risk of failure to deliver - Undue pressures on service	- Chief Legal Officer	- 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. - Resilience built within the team - Use of locum staff where absence is prolonged. - Administration resilience across teams
5	Electoral Services	Statutory timetable and requirements not met when compiling and maintaining the Electoral Register	Low / High	- 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.	- Electoral Registration Officer - Chief Legal Officer	- 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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

	Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
				- Reputational: mistrust by residents of accuracy of the Electoral Register and future election results.		
5	Electoral Services	Organisation of Elections - Statutory timetable and requirements not met. -	Low / High	- 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	- Electoral Registration Officer - Returning Officer - Chief Legal Officer	- 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
6	Electoral Services	Losing specialist staff/staff capacity at peak time (e.g. elections, canvass etc)	Low / High	- Statutory timetable and requirements not met	- Electoral Registration Officer - Chief Legal Officer	- Resilience is provided across Directorate teams to assist with election duties - Project planning and procedure notes production in place - 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.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational Services Directorate Risk Register

Service: **AMENITIES, RESORT 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. Explore options for longer term refurbishment and investment.
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 underway with EA and Southern Water focusing on: Missed connections, sewer system faults, de-silting ponds, natural stream filtration and community engagement (HVA). Feasibility study will assess longer term protective options including long-sea outfall.
White Rock Theatre (Resort services)	Infrastructure failure of equipment (e.g. sound system, boilers etc.). Audience numbers not maintained.	Med / Med	Reputation undermined. HBC investment questioned. Financial impact.	Head of Service / Service Manager / Lead Member	Monthly review of activities, results and plans. Close liaison with theatre manager. Audience numbers rising. Agreed annual maintenance plan. Sound system has been replaced. Boilers currently under investigation and may need replacement.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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)	Mechanical failure.	Low / Med	Financial impact. Danger to public safety. Loss of amenity. Reputation undermined.	Service Manager	Programme of inspections, testing and maintenance. Staff training and awareness.
Hastings Museum and Art Gallery (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 following insurance company security review. Alarm contracts maintained. Staff trained. Procedures manual updated. Disaster Plan in place. Fire Risk Assessments completed.
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.
Cliffs (Building Surveyors and Resort Services)	Risk of landslide, landslip, rock falls and other natural hazards on both coastal cliffs and those inland.	Low / High	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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Grounds Maintenance Joint Contract between HBC/RDC/ Amicus Horizon (Amenities)	Contract Specifications not being fulfilled.	Low / Med	No grounds maintenance being undertaken. Adverse impact on look and feel of town.	Service Manager	Successful joint partnership procurement between RDC/HBC/Amicus has resulted in one contractor with significant savings being realised. Partnership and monitoring structures are in place and being implemented and monitored.
Provision of new Visitor Centre at Hastings Country Park Nature Reserve	No partnership funding. Costs too high from tenders. External factors cause delay. Groundwork South unable to manage centre.	Med/Med	Reputational risk to Council.	Service Manager	Project Board with elected members established and meeting regularly for strategic decision making. Groundwork South acting as project managers, procurement through the Hub.
Cemetery and Crematorium	Failure to provide cremation service. Reduction in capacity through equipment failure or staff shortage.	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 enable shift working at peak times of demand. New plant installed and operational (Feb 2011). Considered to be more reliable with excellent maintenance support services.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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) Page 40	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.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational 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 	<p>Head of Environmental Services in relation to IT hardware used by his services & their BCP arrangements.</p>	<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	<p>Unable to collect waste due to weather, problem with disposal route, staffing issue.</p>	<p>Low / High</p>	<ul style="list-style-type: none"> - Piles of rubbish on street - Health risks - Financial impact - Reputation undermined 	<p>Head of Environmental Services</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>

Page 41

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Waste Contract	GMB led strike of local Kier waste & cleansing staff	Medium/High	Strike action has impact on routine service provision. Potentially refuse/recycling & street cleansing impacted, resulting in uncollected refuse & recycling, poor accumulation of litter & waste in streets.	Head of Environmental Services	Kier business continuity plan includes use of agency staff (many work regularly for Kier and have full training) The GMB were scheduled to strike in March/April 2015 but negotiations with Kier were successful & each of the announced strike dates was cancelled.
Waste & Cleansing Page 42	Contractor costs increase to level threatening sustainability of contract. Kier are currently reviewing costs on all of their waste & cleansing contracts, with a view to reducing costs & increasing income. Contractor performance deteriorates to level attracting defaults that threaten sustainability of contract.	Low/ High	<ul style="list-style-type: none"> - Potential need to engage alternative contractor or provide in-house service on an emergency short notice basis - Need to procure new waste & cleansing contract - Financial impact - Reputation undermined 	Head of Environmental Services	The East Sussex Joint Waste Contract was subject to a lengthy & robust procurement process. The Central client (Rother District Council) has comprehensive records of the process & is responding to any cost queries from the contractor. We believe that all of the work currently being carried out under the core contract provisions is legitimate core contract work, & should continue to be paid at the core rates.
Licensing	Reduction of income generation from economic downturn.	Low / Low	<ul style="list-style-type: none"> - Financial loss for Council - Unable to balance budget - Increased legal cost - Reputation undermined 	Head of Environmental Health	Budget regularly monitored including income generation. If income dropped dramatically could reduce costs by decreasing staffing. In fact recession appears to be triggering more applications e.g. taxis.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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	Legal challenge - 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	<p>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. Due to sickness & vacancies in last 18 months we have used specialist contractors to help backfill.</p> <p>Following service restructures to environmental health & licensing in April 2015, all vacancies have been filled & new personnel are being trained.</p>

Page 43

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational 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
Page 45	<p>CCTV Monitoring System</p> <p>The Strategic Cultural Devt Specialist</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 Operational 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>The contract was recently let (Dec 2014) & it is hoped that the works will be completed by July/August 2015.</p> <p>We have appointed a specialist contractor to liaise with the CCTV contractor to help us manage this project.</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 AD-FS & R	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.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational Services 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
All Housing	Failure to meet key performance targets	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 (Housing Services Review, Housing Strategy review , homelessness strategy revision, allocations review, revised renewal financial assistance and enforcement 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, Social Lettings agency, Licencing proposals & CPO programme)
Housing (Options)	Failure to manage the impact of changes in the law and/or government policy initiatives (e.g. impact of welfare benefit changes on homelessness levels)	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"> - maintain/raise corporate awareness through Performance Review/ Scrutiny/Cabinet etc - Regular stakeholder engagement through strategic liaison meetings with main Social Landlords (AmicusHorizon/Orbit) HASS meetings, Private Landlord forums. - Engagement of London Councils, Academics and national policy makers on considering the impact on seaside towns. County wide and Out of London Protocols in

Page 46

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
					place. - 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) Implementation of anti-poverty strategy & action plan
Housing (Renewal) Page 47	Failure to implement the proposed new selective licensing scheme in an effective and timely manner by Oct 2015. (Dependent upon online application and payment system)	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. Necessary staffing structure agreed and recruitment underway.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Housing (Renewal)	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 Mid-term review and impact assessment and review scheduled for 2015/16.
All Housing	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 	<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

Page 48

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Page 50			<ul style="list-style-type: none"> • Legal challenge • Poor housing stock • Impact on regeneration objectives • Public health & wellbeing • Key priorities and projects not met 		<ul style="list-style-type: none"> • Revised Empty Homes Strategy
	Housing	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 	<ul style="list-style-type: none"> • Head of Housing and Planning Services

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Page 51			<ul style="list-style-type: none"> • Impact on regeneration objectives and deprivation increases • Public health & wellbeing • Key priorities and projects not met • Financial burden on the organisation 		<p>place</p> <ul style="list-style-type: none"> • Strategic group oversee project • Proactive Enforcement Programmes operational in the 7 streets • Business continuity planning & risk assessments undertaken • Marketing & Publicity exercises carried out • Provisional allocation of further funding from SELEP from 2016/17. Funding also being sought through European funding streams for complimentary fuel poverty and energy efficiency measures.
Housing	Failure to successfully establish the 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 	<ul style="list-style-type: none"> • Head of Housing and Planning Services • Housing options Manager 	<ul style="list-style-type: none"> • Research & Financial feasibility study carried out • Options Appraisal reported to CMG/Cabinet Dec 2013 • Cabinet approval for 60 –100 unit pilot leasing scheme granted Feb 2015. • Project group and implementation plan in place. • Risk assessment carried out and reported to Cabinet

COMBINED OPERATIONAL RISK REGISTER
June 2015

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
			do not improve		<ul style="list-style-type: none"> • Mid-year review planned

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational Services 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	Medium / High	- Reputation undermined locally and nationally - Resources used to deal with situation - Staff morale declines - Political fall-out	Head of Comms & 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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational Services 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	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	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	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>

Page 54

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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	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	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.

Page 55

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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	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	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.

Page 56

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Page 57

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	Loss of data / information	Low / High	- 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	Injury of staff on site and in the work environment	Low / High	- 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>

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

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	Loss of income due to changes in legislation and economy	Med/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	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. There were two group orders, one of which has now been completed, the other is nearing completion.</p>
Building Control delivered by the Rother and Hastings	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

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood / Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
Building Control Service					Contract.
Local Land Charges	Possibility of parts or all of the service being transferred to Land Registry	Med/High	<ul style="list-style-type: none"> - Financial Implications - Staffing Implications 	Section Manager	<p>Monitor developments</p> <p>The transfer of the Local Land Charges Register function to Land Registry was given Royal Assent on 12th February 2015. Secondary legislation consultation is expected in autumn 2015 with implementation expected from October 2016.</p> <p>It is still very unclear how this will work and what financial and resourcing impacts that this will have on the service.</p>

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Operational Services Directorate: Regeneration and Community Services

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 SAFE-ICE cluster	Low/Medium	Financial and reputation loss	External Funding Manager	Contract modification across partnerships for phase 2 approved by managing authority. HBC lead partner project management consultant and internal coordinator resources with direct involvement of managing authority. Regular monitoring and meeting with partners. Partnership agreement in place and project currently on target. Project activity finished but project final financial claim to be submitted by HBC July 2015.
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 reputational damage to Council and delivery partners.	Neighbourhood Manager	CCF returns for end of financial year 2014/ 15 due to be submitted to Big Lottery by end of June 15. Hastings Pier and the College have claimed all their expenditure with the college slightly underspent by close of project. Returns being finalised at the moment.
Regeneration and Planning Policy	Failure to achieve targets for SUCCESS RGF-funded scheme (318 jobs, £2.2m grants, private investment leverage of £7.6m)	Low/High	Reputational and Financial risks	External Funding Manager	Project finishes end of May 2015 with full grant target reached and jobs target exceeded. The investment is at 73% of target and anticipated to reach target within the extra 2 years of programme monitoring. Financial risk due to recovery of management costs capped at 5% of grants awarded is now mitigated as full grant disbursed
Regeneration and Planning Policy	Failure to fund/ secure funding for full MSC reassessment in 2016/17	Medium/ Low	Reputational loss	Economic Devt & Inclusion Manager	Our MSC certificate expires in 2017. The full reassessment starts in 2016 to run concurrently with the 4 th year audit. We need to notify the MSc/MEC(certification awarding body) during 2015 that we will be renewing our MSC certification.

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, timeframe for implementation and latest position
					<p>We do not have funding allocated for year 4 audit (2016) and year 5 reassessment (commencing 2016). The fishers have strong expectation that this will happen and will be funded by HBC.</p> <p>Possible mitigation is utilising the underpend of the FLAG projects to pay for year 4 Audit and year 5 reassessment (ensuring we obtain fixed quotes). Investigations as to this possibility remain ongoing with the MMO</p>
Regeneration and Planning Policy	FLAG programme: failure to deliver contractual obligations	Medium/ High	Loss of reputation, financial loss	Economic Devt & Inclusion Manager	The programme was fully committed by the extended deadline of June 2014. Currently (June 2015) there are 5 projects undergoing amendment. There is likelihood of a small underspend however there is confirmation from MMO that surplus can be redeployed to alternative projects within the FLAG programme such as MSC. claims have to be completed by December 2015.
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 Regeneration & 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. External consultants contracted to deliver work related to Development Management Plan, and economic development projects, including early CLLD development work. Use of external contractors will continue to be necessary.
White Rock Baths	Failure to deliver renewal project with Source BMX	Low/Medium	Reputational risk, financial cost	Head of Regeneration &	Architect design company under contract, JCT works contract in development and close to signature. Agreement to Lease and Lease are in final stages of

Page 61

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood/Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, timeframe for implementation and latest position
				Planning Policy	completion. Enabling Works Order and an Inetrim works order have been initiated and work commenced on site WB 24.3 Currently on track for hand over to Source Sept/October 2015
White Rock Baths	Underspend - failure to meet timescale for ESI funding	Low/medium	Financial cost	Head of Regeneration & Planning Policy	Funding contracts have been signed and enable transfer of monies by the end of May 15 target date
White Rock Baths	Overspend – costs rise above level of funding available	Medium/Medium	Financial cost	Head of Regeneration & Planning Policy	Budget includes contingency and inflation. As work commences further items identified which will put budget at risk will be addressed and mitigated against by reducing specification further.
White Rock Baths and CCF Sea Escapes Promenade landscaping	Over running of WRB programme impacting on CCF promenade improvement works	Medium/Medium	Reputational Risk/Financial cost/Contract Breach	Economic Devt & Inclusion Manager / Head of Regeneration & Planning Policy	CCF promenade works due to commence 3 rd week in September. The Source plan to install west hall skate park build 1 st and 2 nd week in September. Slippage of WRB may be impacted by ccf works and vice versa. Resort Services Manager is fully aware of these issues and critical path of WRB programme will be identified early.
Cultural Programme	Failure to raise additional funds for 2016 events.	Medium/High	Reduced impact, reputational damage	Strategic Cultural Devt Specialist	Cultural Development Specialist in post since August 2014. A bid to Arts Council England for £150K was submitted on 2 April '15, with a 12 week turnaround on a decision. HBC is also part of an Interreg V Channel Programme bid that will contribute funds to the 2016 festival and beyond.

Page 62

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsibility for controls	Steps to mitigate risk, timeframe for implementation and latest position
					<p>The first stage application will be submitted on 11 May. Council's financial commitment to 2016 programme has been used as leverage in both bids. Key partners are also engaged in fundraising towards their projects for 2016 (Jerwood, DLWP, Glyndebourne, Battle Festival, Project Art Works).</p>
Cultural Programme	Failure to build strong local support for the plans for 2016 and beyond	Low/Medium	Reputational damage Reduced impact of cultural regen ambitions	Strategic Cultural Devt Specialist	<p>Engagement and consultation with key local groups and individuals to be an ongoing part of the development process. In January '15 a series of consultation meetings with the cultural sector were held, attended by over 200 people. A meeting specifically for the 2016 events was also held attended by approx. 150 people, with lots of ideas for possible creative activity</p> <p>Beyond 2016, we have had two meetings with Eurotowns partners and have agreed on a cross-sectoral theme for a Creative Europe bid. The next deadline is October '15.</p> <p>Cultural Leaders Steering Group now well established and supportive of 2016 cultural programme approach.</p>
Cultural Programme	Failure to engage effectively with marketing/comms and the wider tourism sector.	Low/Medium	Reduction in the long term impact and sustainability of the investment and development of the creative and cultural sector.	Strategic Cultural Devt Specialist	<p>Regular communication between Cultural Regen and Marketing teams. Joint participation in a workshop led by Culture24, as part of the CCF programme, to articulate what kind of marketing platform/s we need for the arts and cultural sector (including ROOT1066 festival) and how they sit alongside the wider tourism offer.</p>

COMBINED OPERATIONAL RISK REGISTER

June 2015

Appendix A

Service	Potential Risk	Risk Rating (Likelihood/ Impact)	Potential Impact	Responsi bility for controls	Steps to mitigate risk, timeframe for implementation and latest position
External Funding activity	Over-commitment of Council resources on external funding opportunities	High/Medium	Reputational damage Financial costs	Head of Regenerat ion & Planning Policy	Ongoing monitoring of cross council activity and regular updates to CMG. CMG to collectively review externally funded activity and prioritise staff/budget resources. Other mitigation: regular monitoring by ADs of officer involvement in external funding opportunities/projects within service areas across the Council.

~~~~~end~~~~~

# Agenda Item 6



**Agenda Item No:**

**Report to:** Audit Committee

**Date of Meeting:** 22th June 2015

**Report Title:** Annual Treasury Management Report 2014-15

**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 2014-15. 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 2014-15.
5. This annual Treasury report covers
  - a) capital expenditure and financing 2014-15
  - b) overall borrowing need (the Capital Financing Requirement)
  - c) treasury position as at 31 March 2015;
  - d) performance for 2014-15;
  - e) the strategy for 2014-15;
  - f) the economy and interest rates in 2014-15;
  - g) borrowing rates in 2014-15;
  - h) the borrowing outturn for 2014-15;
  - i) debt rescheduling;

- j) compliance with treasury limits and Prudential Indicators;
- k) investment rates in 2014-15;
- l) investment outturn for 2014-15;

## The Council's Capital Expenditure and Financing 2014/15

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.

| <b>Table 1: Capital Programme Financing 2014-15</b> |  | <b>Outturn<br/>2014/15</b> |
|-----------------------------------------------------|--|----------------------------|
|                                                     |  | £ 000's                    |
| Expenditure                                         |  | 4,972                      |
| <i>Financed by :</i>                                |  |                            |
| Borrowing                                           |  | 2,697                      |
| Grants                                              |  | 868                        |
| Reserves                                            |  | 510                        |
| Capital Receipts                                    |  | 835                        |
| Contributions                                       |  | 62                         |
| <b>Total</b>                                        |  | <b>4,972</b>               |

## 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 2014/15 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2014/15 by Council on the 19/02/2014.
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.

| <b>Table 2 CFR : General Fund</b>  | <b>2013/14</b> | <b>2014/15</b> | <b>2014/15</b> |
|------------------------------------|----------------|----------------|----------------|
|                                    | Actual         | Estimate       | Actual         |
|                                    | £000's         | £000's         | £000's         |
| Opening balance                    | 16,945         | 16,372         | 16,372         |
| Add unfinanced capital expenditure | 0              | 2,800          | 2,697          |
| Less MRP                           | (503)          | (488)          | (488)          |
| Less finance lease arrangements    | (70)           | (9)            | (9)            |
| Closing balance                    | £16,372        | £18,675        | £18,572        |

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 2014/15 plus the expected changes to the CFR over 2014/15 and 2015/16 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2014/15. 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.

| <b>Table 3 Internal Borrowing Level</b> | 2013/14<br>Actual | 2014/15<br>Estimate | 2014/15<br>Actual |
|-----------------------------------------|-------------------|---------------------|-------------------|
|                                         | £000's            | £000's              | £000's            |
| Capital Financing Requirement           | 16,372            | 18,675              | 18,572            |
| External Borrowing                      | 11,500            | 14,197              | 14,197            |
| Net Internal Borrowing                  | 4,872             | 4,478               | 4,375             |

## Treasury Position as at 31 March 2015

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

| Table 4<br><b>Debt</b> | 31st March<br>2014<br>Principal | Annual<br>Rate              | Maturity | 31st March<br>2015<br>Principal | Annual<br>Rate              |
|------------------------|---------------------------------|-----------------------------|----------|---------------------------------|-----------------------------|
| PWLB Loan 1            | £7.5m                           | 4.80%                       | 2033     | £7.5m                           | 4.80%                       |
| PWLB Loan 2            | £1.0m                           | 2.02%                       | 2016     | £1.0m                           | 2.02%                       |
| PWLB Loan 3            | £1.0m                           | 1.63%                       | 2018     | £1.0m                           | 1.63%                       |
| PWLB Loan 4            |                                 |                             | 2044     | £0.9m                           | 3.78%                       |
| PWLB Loan 5            |                                 |                             | 2044     | £1.8m                           | 3.78%                       |
|                        | -----                           |                             |          | -----                           |                             |
| Fixed Rate Debt        | £9.5m                           |                             |          | £12.2m                          |                             |
| PWLB Loan 6            | £2.0m                           | 0.55%<br>(Variable<br>Rate) | 2019     | £2.0m                           | 0.56%<br>(Variable<br>Rate) |
| Total Debt             | £11.5m                          | 3.55%                       |          | £14.2m                          | 3.59%                       |

| Table 5<br><b>Investments</b> | 31st March 2014<br>Principal | 31st March 2015<br>Principal |
|-------------------------------|------------------------------|------------------------------|
| -In-House *                   | £19.87m                      | £21.9m                       |
| Total Investments*            | £19.87m                      | £21.9m                       |

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

## Performance Measurement (2014-15)

17. Table 6 below compares the Estimated Interest Payable and Received and associated fees for the year 2014-15.

| Table 6                    | 2013 -14<br>Actual Outturn<br>£000's | 2014 -15<br>Revised Budget<br>£000's | 2014 -15<br>Actual Outturn<br>£000's |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Gross Interest Payable     | 407                                  | 450                                  | 472                                  |
| Gross Interest Received    | (264)                                | (218)                                | (229)                                |
| Fees                       | 12                                   | 13                                   | 13                                   |
| Other (e.g. PWLB Discount) | (53)                                 | (53)                                 | (53)                                 |
| Net Cost                   | 102                                  | 192                                  | 203                                  |

18. There is a small variance from the revised budget due to variations between budgeted and actual rates achieved.
19. The net interest on the LAM scheme (as below) is being transferred into the mortgage reserve.

| Table 7                 | 2013 -14<br>Actual Outturn<br>£000's | 2014 -15<br>Revised Budget<br>£000's | 2014 -15<br>Actual Outturn<br>£000's |
|-------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Gross Interest Payable  | 36                                   | 36                                   | 36                                   |
| Gross Interest Received | (64)                                 | (64)                                 | (64)                                 |
| Net Surplus             | (28)                                 | (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.

| <b>Table 8 Balance Sheet</b> | 31-Mar-14      | 31 March<br>2015 (Est) |
|------------------------------|----------------|------------------------|
|                              | £000's         | £000's                 |
| General Fund Balance         | 500            | 500                    |
| Earmarked Reserves           | 10,249         | 9,675                  |
| General Reserves             | 8,733          | 8,001                  |
| <b>Total</b>                 | <b>£19,482</b> | <b>£18,176</b>         |

## The Strategy for 2014-15

21. The expectation for interest rates within the strategy for 2014/15 anticipated low but rising Bank Rate (starting in quarter one of 2015), and gradual rises in medium and longer term fixed borrowing rates during 2014/15. 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 has promoted a cautious approach, whereby investments decisions are 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 except where contractual arrangements with Amicus Horizon are involved.

## The Economy and Interest Rates

23. The original market expectation at the beginning of 2014/15 was for the first increase in Bank Rate to occur in quarter 1 2015 as the unemployment rate had fallen much faster than expected through the Bank of England's initial forward guidance target of 7%. In May, however, the Bank revised its forward guidance. A combination of very weak pay rises and inflation above the rate of pay rises meant that consumer disposable income was still being eroded and in August the Bank halved its forecast for pay inflation in 2014 from 2.5% to 1.25%. Expectations for the first increase in Bank Rate therefore started to recede as growth was still heavily dependent on buoyant consumer demand. During the second half of 2014 financial markets were caught out by a halving of the oil price and the collapse of the peg between the Swiss franc and the euro. Fears also increased considerably that the European central Bank (ECB) was going to do too little too late to ward off the threat of deflation and recession in the Eurozone (EZ). In mid-October, financial markets had a major panic for about a week. By the end of 2014, it was clear that inflation in the UK was going to head towards zero in 2015 and possibly even turn negative. In turn, this made it clear that the MPC would have great difficulty in starting to raise Bank Rate in 2015 while inflation was around zero and so market expectations for the first increase receded back to around quarter 1 of 2016.
24. Gilt yields were on a falling trend for much of the last eight months of 2014/15 but were then pulled in different directions by increasing fears after the anti-austerity parties won power in Greece in January; developments since then have increased fears that Greece could be heading for an exit from the euro. While the direct

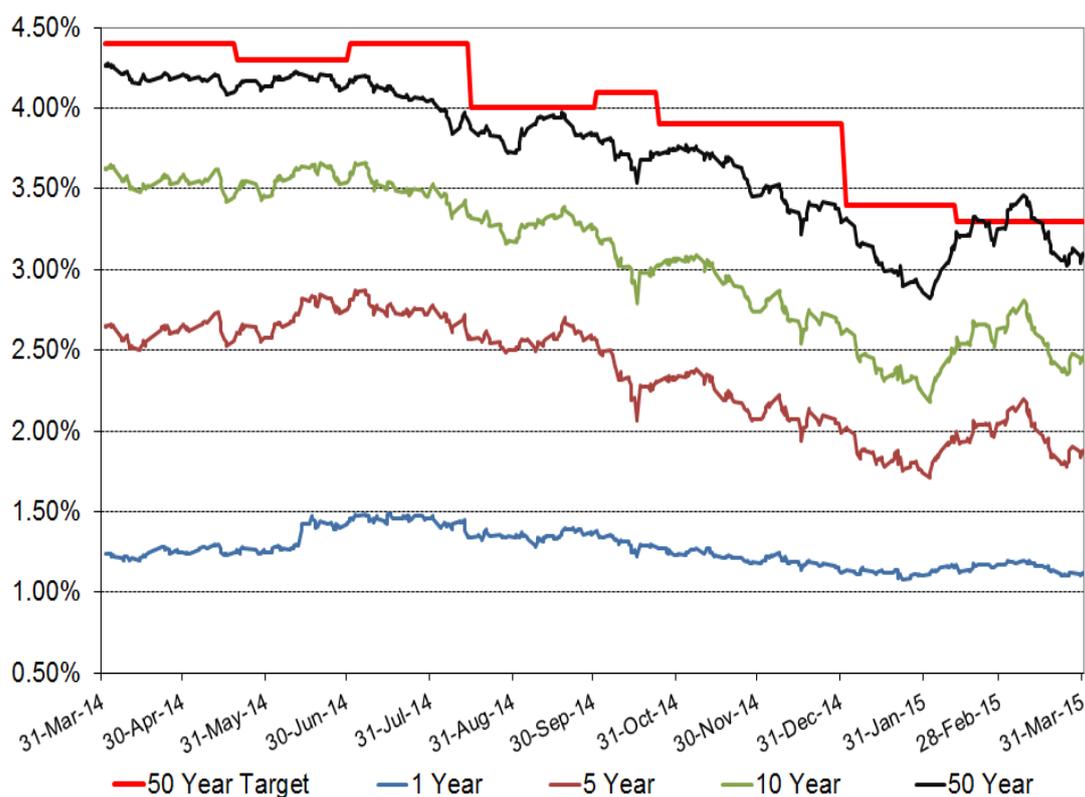
effects of this would be manageable by the EU and ECB, it is very hard to quantify quite what the potential knock on effects would be on other countries in the Eurozone once the so called impossibility of a country leaving the EZ had been disproved. Another downward pressure on gilt yields was the announcement in January that the ECB would start a major programme of quantitative easing, purchasing EZ government and other debt in March. On the other hand, strong growth in the US caused an increase in confidence that the US was well on the way to making a full recovery from the financial crash and would be the first country to start increasing its central rate, probably by the end of 2015. The UK would be closely following it due to strong growth over both 2013 and 2014 and good prospects for a continuation into 2015 and beyond. However, there was also an increase in concerns around political risk from the general election due in May 2015.

25. 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 throughout 2014/15.
26. The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth and falling gilt yields led to a reduction in the forecasts for total borrowing in the March budget.
27. The EU sovereign debt crisis had subsided since 2012 until the Greek election in January 2015 sparked a resurgence of fears. While the UK and its banking system has little direct exposure to Greece, it is much more difficult to quantify quite what effects there would be if contagion from a Greek exit from the euro were to severely impact other major countries in the EZ and cause major damage to their banks.

## **Borrowing Rates in 2014-15**

28. 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 31.3.2015

|         | 1 Year     | 5 Year     | 10 Year    | 25 Year    | 50 Year    |
|---------|------------|------------|------------|------------|------------|
| 1/4/14  | 1.24%      | 2.65%      | 3.63%      | 4.29%      | 4.27%      |
| 31/3/15 | 1.11%      | 1.86%      | 2.45%      | 3.11%      | 3.08%      |
| Low     | 1.08%      | 1.71%      | 2.18%      | 2.85%      | 2.82%      |
| Date    | 23/01/2015 | 02/02/2015 | 02/02/2015 | 02/02/2015 | 02/02/2015 |
| High    | 1.49%      | 2.87%      | 3.66%      | 4.30%      | 4.28%      |
| Date    | 16/07/2014 | 03/07/2014 | 20/06/2014 | 03/04/2014 | 02/04/2014 |
| Average | 1.27%      | 2.36%      | 3.08%      | 3.74%      | 3.72%      |

29. 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 2014/15

30. The additional long term borrowing that was undertaken in 2014/15 was in respect of the Coastal Communities project but was at a reduced amount of £2,697m for 38 properties where £3.6m as originally budgeted for 51 properties.

## Debt Rescheduling

31. 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

32. 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 2014-15

33. 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).
34. 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 AsseCapita 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

35. The strategy has not changed during the year, other than Investment returns being lower and for a longer period than previously anticipated, although a base rate rise looks more likely in late 2015 or early 2016.

## Investment Outturn for 2014-15

36. 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 0.66% (0.86% including LAMS scheme deposits). The comparable performance indicator is the average 7-day LIBID rate (un-compounded), which was 0.354%.
37. The table below provides a snapshot of the investments held at 31 March 2015.

| Table 12: Counter Party | Rate / Return | Start Date | End Date   | Principal | Term                   |
|-------------------------|---------------|------------|------------|-----------|------------------------|
| Barclays                | 0.65%         |            |            | £1.91m    | Call account           |
| Nordea Bank             | 0.60%         | 01/10/2014 | 01/04/2015 | £5m       | Certificate of Deposit |
| Standard chartered      | 0.65%         | 01/10/2014 | 01/04/2015 | £5m       | Certificate of Deposit |
| Lloyds                  | 0.95%         | 11/04/2014 | 11/04/2016 | £5m       | Fixed Term Deposit     |
| RBS - NatWest           | 0.60%         | 21/08/2013 |            | £5m       | Call account           |
| RBS - NatWest           | 0.25%         | 21/08/2013 |            | £0.03m    | Call account           |
|                         |               |            |            | £21.94M   |                        |

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.

38. No institutions in which investments were made during 2014/15 had any difficulty in repaying investments and interest in full during the year.

## Financial Implications

39. 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. There has been some new borrowing, of which £1,788,235 represents a loan made to Amicus Horizon.
40. The net position once borrowing costs and investment interest are considered is a net increase in costs from £102,000 in 2013/14 to £203,000 in 2014/15. 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, but also a reduction in the investment interest being received. The figures are in line with budget expectations.

---

### 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 2014/15, Cabinet, 17 February 2014

CIPFA - Treasury Management Code of Practice (revised 2009)

CIPFA - The Prudential Code (revised 2009)

---

## Officer to Contact

Peter Grace, Assistant Director - Financial Services and Revenues

**pgrace@hastings.gov.uk**

Tel. 01424 451503

---

## Appendix 1: Prudential Indicators

| PRUDENTIAL INDICATOR                                                                            | 2013/14        | 2014/15        | 2015/16        | 2016/17        | 2017/18        |
|-------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>(2). TREASURY<br/>MANAGEMENT PRUDENTIAL<br/>INDICATORS</b>                                   | £'000          | £'000          | £'000          | £'000          | £'000          |
| Authorised Limit for external debt -                                                            |                |                |                |                |                |
| borrowing                                                                                       | £20,000        | £20,000        | £20,000        | £20,000        | £20,000        |
| other long term liabilities                                                                     | £10,000        | £10,000        | £10,000        | £10,000        | £10,000        |
| <b>TOTAL</b>                                                                                    | <b>£30,000</b> | <b>£30,000</b> | <b>£30,000</b> | <b>£30,000</b> | <b>£30,000</b> |
| Operational Boundary for external debt -                                                        |                |                |                |                |                |
| borrowing                                                                                       | £20,000        | £20,000        | £20,000        | £20,000        | £20,000        |
| other long term liabilities                                                                     | £10,000        | £10,000        | £10,000        | £10,000        | £10,000        |
| <b>TOTAL</b>                                                                                    | <b>£30,000</b> | <b>£30,000</b> | <b>£30,000</b> | <b>£30,000</b> | <b>£30,000</b> |
| Upper limit for fixed interest rate exposure                                                    |                |                |                |                |                |
| Net principal re fixed rate borrowing / investments OR:-                                        | 100 %          | 100 %          | 100 %          | 100 %          | 100 %          |
| Upper limit for variable rate exposure                                                          |                |                |                |                |                |
| Net principal re variable rate borrowing / investments OR:-                                     | 100 %          | 100 %          | 100 %          | 100 %          | 100 %          |
| Upper limit for total principal sums invested for over 364 days – LAMS Scheme and Coastal Space | £5,620         | £5,620         | £6,000         | £6,000         | £6,000         |
| 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%             |

This page is intentionally left blank

# Agenda Item 7



**Agenda Item No:** -

**Report to:** Audit Committee

**Date of Meeting:** 22 June 2015

**Report Title:** Audit Committee Report 2014/15 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 2014/15 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". We are working with the Sussex Audit Group on a reciprocating basis 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, senior 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 2014/15 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. Risk Registers (reviewed by Audit Committee) are updated on an ongoing basis
  - g. Performance is monitored through quarterly Performance Reviews
  - h. A Corporate Health and Safety system of monitoring and review is in place
  - i. 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 methodology 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 Assistant Director - Financial Services and Revenues 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**

### **Internal Audit**

- 21. On the basis of the audits reported to the Audit Committee by Internal Audit, the audit conclusion is that during the year 2014/15, 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 2014/15.

23.

| Audit Conclusion                                                                                                                                    | No of Audits |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| A: Good<br>More than the key controls are in place and work effectively. While improvement may be possible, there are no significant audit concerns | 6            |
| B: Satisfactory<br>The key controls are in place and work effectively. Improvement is possible but there are no significant audit concerns          | 1            |
| C: Adequate but with reservations in some areas<br>Some controls in place are adequate but there are audit concerns in some areas                   | 0            |
| D: Poor<br>Controls are not adequate or not present or not adequately complied with. Improvement is essential                                       | 0            |
| Total audits                                                                                                                                        | 7            |

24. This compares with previous years as follows:

| Audit Conclusion          | 2011-12      | 2012-13      | 2013-14      | 2014-2015    |
|---------------------------|--------------|--------------|--------------|--------------|
|                           | No of audits | No of audits | No of audits | No of audits |
| A, B: Good / Satisfactory | 5            | 8            | 4            | 7            |
| C, D: Adequate / Poor     | 1            | 0            | 1            | 0            |

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

26. The Housing Benefit Subsidy Grant work and all of the International Auditing Standards work was completed within the deadlines. The internal audit of employee expenses has been re-timetabled. This work was substituted by a management request to review credit card transactions and which did cover an element of employee expenses. This work also formed part of our ethical audit work programme.

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 2014/15 the Audit Committee received the following reports:

| Report Title                                                      | Date issued |
|-------------------------------------------------------------------|-------------|
| Report on Final Accounts                                          | Sept 2014   |
| Annual Audit Letter 2013/14                                       | Oct 2014    |
| Audit of Housing Benefit subsidy claim (Year ended 31 March 2014) | Jan 2015    |
| Planning Letter 2015/16                                           | Jan 2015    |
| Audit Plan to the Audit Committee                                 | Mar2015     |

29. BDO gave an unqualified opinion on the Council's accounts for 2013/14 and an unqualified opinion on value for money and concluded that the Council's 2013/14 expenditure plans were met.

#### **Areas of audit concern arising from internally conducted audits**

30. There were no major 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 2014).

32. The key findings reported in it were:

- (i) "We issued an unqualified true and fair opinion on the financial statements for the period ended 31 March 2014 on 30 September 2014. The Council met the Government's deadline for submitting its financial statements to us. We completed our audit in accordance with our plans.
- (ii) We are satisfied that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Council has maintained effective arrangements for securing its financial resilience, though the outlook remains challenging as further reductions in resources are anticipated. Hastings has maintained effective arrangements to prioritise available resources through the integrated approach to its programme of efficiency reviews, involving staff, external partners and other public sector organisations appropriately. We issued an unqualified value for money conclusion on 30 September 2014.
- (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 it complies with relevant guidance.
- (iv) The Council's Whole of Government Accounts (WGA) return was below the threshold for a detailed audit and we were required to review only the total amounts included in the 'Data Collection Tool' submitted to the Government for property, plant and equipment balances and for the net pension liability. We confirmed these reported totals were consistent with the audited financial Statements".

## 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 2013/14  
Annual Audit Letter 2013/14

---

#### Officer to Contact

Tom Davies  
tdavies@hastings.gov.uk  
Telephone: 01424 451524

---

# Agenda Item 8



**Agenda Item No:** -

**Report to:** Audit Committee

**Date of Meeting:** 22 June 2015

**Report Title:** Annual Governance Statement 2014/15

**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 Services and Governance 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 (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 Services and Governance 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 - Addendum December 2012

Previous year's Annual Governance Statement 2013/14

Annual Governance Statement 2014/15 - Appendix A

---

**Officer to Contact**

Tom Davies  
tdavies@hastings.gov.uk  
Telephone: 01424 451524

---

**Hastings Borough Council**

**Annual Governance Statement 2014/2015**

**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](http://www.hastings.gov.uk).
4. 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**

5. 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.
6. 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.

7. 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 2015, up to the date of approval of the Statement of Accounts.

### **The governance framework**

8. 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 and service induction routines are in place for new staff. 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 informal 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, who chaired the Corporate Risk Management Group that meet regularly and discharge further work, which is acknowledged as necessary, retired on 31 March 2015. This gap is being addressed by the Council through its restructuring exercise.

- The Corporate Risk Management Group 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.
- 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 designed to provide more focus to member and senior officer management of risk. The Strategic 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 Strategic 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 Finance 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 risk based 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 30 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 an in-house developed spreadsheet system.

- A Senior Information Officer is responsible for information security.
- 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 significant changes at Director level and tier 2 & 3 senior management. The number of directors has reduced from 3 to 2; a Director of Operational Services and a Director of Corporate Services and Governance. Seven Heads of Service have been reduced to four Assistant Director posts. These changes to the Head of Service positions will result in savings of around £100,000 during 2015/2016 and just over £200,000 per annum from 2016/2017 ongoing. The purpose of the new organisational structure is to encourage a greater commitment to one council working, whilst making necessary revenue savings.
- Documentation and systems are currently being aligned to the new organisational structure.
- In accordance with announcement made in the December 2013 Autumn Statement, the Housing Benefit Investigations team and responsibility for investigating housing benefit fraud, transferred to the Department for Work and Pensions Single Fraud Investigation Service. In order to sustain our counter-fraud capability, we applied for and were successful in 3 bids for working collaboratively with other organisations at combating fraud.

**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)'**

9. The Assistant Director – Financial Services and Revenues, 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)'**

10. The role of the Chief Auditor at Hastings Borough Council complies with the CIPFA statement. This is fully met except that the Chief Auditor had some responsibility for oversight of Housing Benefit and Council Tax Investigations until its transfer from 1 November 2014 to the Department for Work and Pensions Single Fraud Investigation Service. The independence had been enhanced through the Chief Auditor's job description and also by overview from the Section 151 Officer.

**Review of effectiveness**

11. 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.
12. 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.
13. 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 Services & Governance          |
| Monitoring Officer   | - | Chief Legal Officer                                  |
| Section 151 officer  | - | Assistant Director – Financial Services and Revenues |

14. 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. This was updated and approved by Cabinet on 6 October 2014.
15. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Assistant Director – Financial Services and Revenues is 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 Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. 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 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.
16. 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 Strategic and Operational Risk Registers
17. From the work undertaken by Hastings Audit in 2014/15 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.

**Significant governance issues**

- 18. The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'. In accordance with its categorisation of significant issues, there are no new issues to report, however, provided is an update to the 2 risks reported last year.
- 19. Essential repairs needed to Aquila House which is the Council's main operational building commenced during March 2015. Staff have been set-up with portable personal computers and soft phones to enable homeworking therefore greatly reducing the impact on the risk of disruption that could affect 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 2015/16 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 Services  
& Governance

This page is intentionally left blank

# Agenda Item 9



**Report to:** Audit Committee

**Date of Meeting:** 22 June 2015

**Report Title:** Updated Audit Committee Terms of Reference

**Report By:** Tom Davies  
Chief Auditor

---

## **Purpose of Report**

The periodic consideration of the Audit Committee Terms of Reference in accordance with best practice guidance.

---

## **Recommendation(s)**

**1. That the updated Audit Committee Terms of Reference be approved**

---

## **Reasons for Recommendations**

Presents updated Audit Committee Terms of Reference in accordance with current standards on Audit Committee responsibilities.

---

## Introduction

1. The Audit Committee Terms of Reference were last formally reviewed at the meeting held on 27 October 2005.
2. There have been several organisation restructures since then and two additional responsibilities for:
  - \* Monitoring the effectiveness of the Authority's risk management arrangements and
  - \* Scrutiny of the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy and the Investment Strategy and performance throughout the year before their submission to Cabinet and CouncilAllocated by Cabinet (July 2009) and Council (24 February 2010) respectively.
3. These responsibilities have been included at paragraph 12, g, (v) and (w) of appendix A.
4. The Monitoring Officer is aware of these changes and will be submitting them as changes to Part 3 of the Constitution - Responsibility for Functions, to Council, 22 July 2015.

---

## Wards 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                       | No  |
| Environmental Issues                  | No  |
| Economic/Financial Implications       | No  |
| Human Rights Act                      | No  |
| Organisational Consequences           | Yes |
| Local People's Views                  | No  |
| Anti-Poverty                          | No  |

---

## Additional Information

Appendix A - Updated Audit Committee Terms of Reference

---

**Officer to Contact**

Tom Davies  
tdavies@hastings.gov.uk  
Telephone: 01424 451524

---



This page is intentionally left blank

**Purpose**

1. The Audit Committee is a fully constituted committee of the Council. Its primary function is to assist the Council by the scrutiny of the Council's Corporate Governance arrangements. It fulfils its oversight responsibilities by reviewing the financial information, which will be provided to Council and others, the systems of internal controls<sup>1</sup>, which management and the Cabinet have established, and monitoring compliance with the Local Code of Corporate Governance. In doing so, it is the responsibility of the Audit Committee to provide an open avenue of communication between the Cabinet, management, internal audit and the external auditors.
2. The Audit Committee is the Committee responsible for "audit matters of governance interest" and for "Communication of Audit Matters with Those Charged With Governance".

**Organisation**

3. The Audit Committee will be appointed annually by the Council
4. The Audit Committee shall consist of five Members, representing all the interests of the authority. There shall be a quorum of three Members.
  - a. One Audit Committee member will be the Leader of the Council, who shall not be the Chair
  - b. With the exception of a. above, only non-executive Members may be members of the Audit Committee. A non-executive Member is a Member who is not on the Cabinet.
  - c. The Chair of the Audit Committee may not be in the same political group as the Leader of the Council.
5. The Political Balance Rules will apply to the Audit Committee
6. The Party Whip<sup>2</sup> shall not apply to the proceedings of the Council's Audit Committee
7. The Chief Auditor will attend the Audit Committee
8. The Chief Auditor may report directly to the Chair of the committee if the Chief Auditor deems it necessary

**Expertise and training**

9. Whenever possible, at least one member of the Committee should have a background in financial reporting, accounting or auditing (however, the lack of any such member shall not invalidate or otherwise affect the actions taken by the Committee)

---

<sup>1</sup> "Internal controls" are the auditable measures taken by management to ensure delivery of the services, priorities, and statutory obligations of the Council, maximise opportunities, mitigate risks to an acceptable level, and optimise the use of resources

<sup>2</sup> "The Party Whip" is defined here as any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Council or any committee or sub-committee, or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote in any particular manner.

10. The Chief Auditor will provide or arrange for any necessary training to be given to all members of the audit committee
11. The Chair of the Committee will either have previous knowledge of, or receive appropriate training in Corporate Governance, including risk management and internal control

### **Responsibilities**

12. The Audit Committee shall:

#### *General*

- a. Have the power to conduct or authorise investigations into any matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to Corporate Directors and relevant information. The Committee may retain independent counsel, accountants or others to assist it in the conduct of any investigation.
- b. Arrange to meet four times per year, or more frequently if circumstances require it
- c. Report Committee actions to the Cabinet with recommendations, as the Committee may deem appropriate.
- d. Review annually and make recommendations to Council to update the Audit Committee's terms of reference.
- e. In compliance with the recommendations of external bodies, the Chair of the Audit Committee will meet privately with the Chief Auditor, at least annually, to confirm that significant internal control issues, risk exposures, and Corporate Governance issues have been considered by the Audit Committee.
- f. Provide for inclusion in the Annual Governance Statement whether the audit committee has:
  - i. Reviewed and discussed the financial statements.
  - ii. Discussed with the external auditors any matters for "Those Charged With Governance".
  - iii. Received disclosures from the external auditors regarding the auditors' independence and discussed with the auditors their independence.

#### *Internal Controls and Risk Assessment*

- g. Review, evaluate and approve:
  - i. The effectiveness of the Council's process for assessing significant risk exposures and the measures management has taken to mitigate such risks to an acceptable level, including the risks of fraud and corruption with regular progress reports to the Audit Committee and an annual report to Council
  - ii. The adequacy and appropriateness of internal audit provision

- iii. The effectiveness of, or weaknesses in, the Council's internal controls including the adequacy of information systems, efficiency in the use of resources, and security of assets.
  - iv. Any related significant findings and recommendations of the external auditors and the internal auditors together with management's responses including the timetable for implementation of recommendations to correct weaknesses in the internal controls.
  - v. Monitoring the effectiveness of the Authority's risk management arrangements.
- h. Instruct the external auditors to communicate directly to the Audit Committee any serious difficulties or disputes with management.

#### *Internal Audit*

- i. Evaluate the internal audit process for establishing internal audit plans and the focus on risk.
- j. Evaluate the audit scope and role of internal audit.
- k. Consider and review:
  - i. Significant findings and management's response including the timetable for implementation to correct significant weaknesses.
  - ii. Any difficulties encountered in the course of their audit such as restrictions on the scope of their work or access to information.
  - iii. Any changes required in the planned scope of their audit plan.
  - iv. The internal audit budget.

#### *Compliance with Laws and Regulations*

- l. Ascertain whether the Council has an effective process for determining risks and exposure from asserted and unasserted litigation and claims from non-compliance with laws and regulations.
- m. Review with the Monitoring Officer and others any legal, tax, or regulatory matters that may have a material impact on Council operations and the financial statements.
- n. Discuss with management, the internal auditors and the Council's external auditor the status and adequacy of management information systems including the significant risks and major controls over such risks.

#### *Financial Reporting*

- o. Review and approve with management and the external auditors the Council's financial statements prior to publication
- p. Advise management, based upon its review and discussion whether anything has come to the audit committee's attention that causes it to believe that the audited financial statements included in the Council's financial statements contain an untrue statement of material fact or omit to state a necessary material fact.
- q. Review and approve with management and the external auditors at the completion of the annual examination:

- i. The Council's annual financial statements and related footnotes.
- ii. The external auditors' audit of the financial statements and their report.
- iii. Any significant changes required in the external auditor's audit plan.
- iv. Any difficulties or disputes with management encountered during the audit.
- v. The Council's accounting principles.
- vi. Other matters related to conduct, which should be communicated to the Committee under generally accepted auditing standards.

*External Auditor*

- r. Recommend to the Cabinet any change of the external audit provider, approve the fees of the external auditors and review and approve the discharge of the external auditors.
- s. Review the scope and approach of the annual audit with the external auditors.
- t. Seek assurance of the external auditors' compliance with the Codes of Conduct of the auditing body
- u. Review and monitor, as appropriate, with the external auditors the results of Standards Committee recommendations for the purpose of ensuring the adequacy of Corporate Governance and internal control systems.
- v. Receive all reports of the external auditor and monitor progress in the implementation of recommendations against the agreed timetable.

*Treasury Management*

- w. Scrutiny of the Treasury Management Strategy, Minimum Revenue Provision (MRP) Policy and the Investment Strategy and performance throughout the year before their submission to Cabinet and Council.

*Limitation of scope*

- 13. While the Audit Committee has the responsibilities and the powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Council's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the external auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assume compliance with laws and regulations and the Council's code of conduct.
- 14. If requested by the Standards Board, the Council's Monitoring Officer is responsible for investigating breaches of the Members' Code of Conduct. The Audit Committee may refer cases to the Standards Board for investigation, and may consider the results of an investigation for the purpose of ensuring the adequacy of Corporate Governance and internal control systems
- 15. It is for the Chief Finance Officer to be satisfied that the internal audit function meets the requirements of section 151 of the Local Government Act 1972.

# Agenda Item 10



**Agenda Item No:**

**Report to:** Audit Committee

**Date of Meeting:** 22 June 2015

**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 review of corporate credit cards.

---

## **Recommendation(s)**

**1. That the Audit Committee accepts the report**

---

## **Reasons for Recommendations**

To monitor levels of control within the organisation.

---

**Audit Committee 22 June 2015**  
**Review of Corporate Credit Cards**

**Background Information**

**Introduction**

Hastings Borough Council has an overall credit card limit of £14,000 and currently has corporate credit cards issued with a total credit value of £11,000.

There are seven members of staff who hold corporate credit cards with individual credit limits ranging from £1,000 to £2,500. Expenditure on these credit cards from April 2014 to January 2015 was examined. The total amount of spend during this period was £41,800.

**Overview**

1. The processing of corporate credit card transactions from receiving the statements to uploading the information in the financial system (Agresso) was examined.
2. Members of staff who have a corporate credit card are requested to obtain and keep receipts for every transaction they make with the card.
3. Every month a member of the Finance team sends the relevant statement to the cardholder along with a template to fill in with the details of the purchases included on that statement.
4. The cardholder should complete the template and send it back to Finance. A Batch Input File (BIF) is produced from the information which is then uploaded into Agresso.
5. The receipts are retained by the cardholder and should be available for audit at any time. These receipts should be kept for seven years in line with Financial Operating Procedures (FOPs) and current VAT legislation.

**Overall Audit Assessment: B – Satisfactory**

Most controls are in place and are working. Some minor improvements are possible to make the control environment more effective and efficient.

**Key Findings**

6. New instructions for the use of corporate credit cards which include the obligations under Finance Operating Procedures, are drawn up and each cardholder signs to say they will comply with these.

**Management Response**

We agree with the report.

---

**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           | No  |
| Local People's Views                  | No  |

---

**Background Information**

-

---

**Officer to Contact**

Tom Davies  
tdavies@hastings.gov.uk  
Telephone: 01424 451524

---

This page is intentionally left blank