

# Audit Committee Agenda

Thursday, 21 September 2017 at 6.00 pm

Council Chamber, Muriel Matters House, Breeds Place, Hastings, TN34 3UY.  
Please enter the building via the Tourist Information Centre entrance.

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

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# Agenda Item 3

**Agenda Item No:**

**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** Final Accounts 2016/17

**Report By:** Peter Grace  
Assistant Director- Financial Services and Revenues

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**Purpose of Report**

The Audit Committee are asked to approve the Statement of Accounts (2016-17) on behalf of the Council in accordance with the Accounts & Audit Regulations 2015.

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**Recommendation(s)**

1. The draft Statement of Accounts be approved and a copy signed by the Chair of the Audit Committee in accordance with the Accounts & Audit Regulations 2015.

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**Reasons for Recommendations**

Compliance with statutory requirements and good practice. The Council is accountable for the use of public money and continuously seeks to improve Value for Money.

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## Introduction

1. The Accounts & Audit Regulations 2015 require the Council to approve the Statement of Accounts by the 30 September each year. This Committee has delegated authority to approve the accounts on behalf of the Council. The audited Financial report including the Statement of Accounts is attached.
2. The Council's external auditors (BDO) have finished auditing the full accounts and the Auditors Report is contained within the statements. BDO are required to report on the audit and amendments from the draft Statement of Accounts and this report is elsewhere on the agenda.

## Statement of Accounts

3. The Statement of Accounts as defined in the regulations and CIPFA Code of Practice comprises:
  - Comprehensive Income and Expenditure Statement
  - Movement in Reserves
  - Balance Sheet
  - Cash Flow Statement
  - Notes to the Core Financial Statements
  - The Collection Fund Income and Expenditure Account
4. The Statement of Accounts, in common with those for all other local authorities, is compiled in line with International Financial Reporting Standards (IFRS).
5. The Statement of Accounts is contained within the financial report in the attached Appendix .

## The Accounting Statements

6. The Movement in Reserves shows the movement in the year on the different reserves held by the Council, analysed into “usable reserves” (i.e. those that can be applied to fund expenditure or reduce local taxation) and unusable reserves. The line entitled “Net Increase / Decrease before Transfers to Earmarked Reserves” shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.
7. The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations, and this may be different from the accounting cost.
8. The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the

reserves held by the Council. Reserves are reported in two categories. The first grouping is of usable reserves, i.e. those reserves that the Council may use to provide services. The second grouping includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “Adjustments between accounting basis and funding basis under regulations”. Statement of Total Recognised Gains and Losses brings together all the gains and losses of the Council for the year and shows the aggregate increase or decrease in its net worth.

9. The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the amount to which cash outflows have been made for resources which are intended to contribute towards the Council’s future service delivery. Cash flows arising from financing activity are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.
10. The Collection Fund Income and Expenditure Account showed a deficit for the year of £257,000 in respect of Council Tax. In respect of Non Domestic Rates there was an in year surplus on the fund of £1,075,000 . The overall surplus for the year amounting to £818,000. There was a surplus of £921,000 carried forward from the previous year which when combined with the surplus for 2016/17 leaves an overall surplus on the fund of £1,739,000. Hastings Borough Council’s share is a surplus of £397,000 in respect of Council Tax Collection and a deficit of £742,000 in respect of Non Domestic Rates.
11. Further interpretation of the accounts highlighting key issues is contained within the explanatory foreword of the Statement of Accounts.

## Financial Position

12. The outturn position in respect of Direct Service Expenditure was £13.4 million. This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.
13. The reconciliation between the cost of services in the Comprehensive Income and Expenditure Statement and the cost for taxation purposes can be found in note 6.

## Reserves

14. Reserves total £19.7m as at 31 March 2017 as detailed in Note 12. This includes £1.2m of grant from the Hastings and Rother Clinical Commissioning Group and £0.4m of Disabled Facilities Grant that was received in 16/17 but not spent in year.
15. The Medium Term Financial Strategy identified the need for any underspend to be used as an opportunity to strengthen reserves, and given the estimated budget

reductions required in 2017/18 and beyond there remains a strong case for doing so. The Medium Term Financial Strategy will be reviewed in the autumn and will include a further review of reserves in the light of future government funding and expenditure pressures.

16. It should be noted that no provision has been made in respect of the claim for compensation as a result of the closure of the Pier on safety grounds. There has also been a significant claim in respect of rate relief for NHS hospital Trusts – which has not been accepted by the Council.

## Pensions

17. An accounting standard (IAS19) requires Councils (and businesses) to disclose the deficits/surpluses in their pension funds on an annual basis and to include the deficit within the Balance sheet. This necessitates actuaries identifying the assets and liabilities of the respective institutions investing within the fund on a point in time basis i.e. what the value of Pension Fund investments were worth on 31 March. It should be noted that this is a snap shot of the pension fund on just one day and that equities and bond prices go up and down on a daily basis.
18. There has been a reduction in the balance sheet position since last year. This is principally because financial assumptions at 31 March 2017 are slightly less favorable than they were at 31 March 2016. This has the effect of increasing liabilities. The overall effect is that the pension fund has moved from a deficit of £40.0 million to a deficit of £40.1million.
19. East Sussex County Council administers the pension scheme. Full actuarial valuations are carried out on a three yearly basis (last carried out as at 31st March 2017) and Council contribution rates are determined at that time for a three year period.

## Financial Strategy

20. Over the next two financial years, 2017/18 and 2018/19, budget deficits have been identified amounting to £555,000 and £1,676,000 respectively. Given that funding reductions look set to continue for many years and given that major uncertainties remain in the world economy, the Council needs to identify further efficiencies, invest to save opportunities, generate more income, and cut costs in order to further transform itself to a lower spending Council and to achieve a balanced budget in this very challenging environment.

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### Wards Affected

None

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### Area(s) Affected

None

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## 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

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## Background Information

Appendix A – Financial Statements 2016-17

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## Officer to Contact

Peter Grace (Chief Finance Officer)  
pgrace@hastings.gov.uk  
01424 451503

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# Agenda Item 4



**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** BDO Audit Completion Report - Audit for the year ended 31 March 2017

**Report By:** Peter Grace  
Assistant Director - Financial Services and Revenues

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## **Purpose of Report**

To consider the matters raised by the Council's external auditors (BDO) in respect of their Governance Report . This includes the audit opinion of the Council's 2016/17 accounts, and their value for money assessment of the Council.

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## **Recommendation(s)**

**1. That the report and action plan be accepted**

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## **Reasons for Recommendations**

The Council's external auditors are required to submit a report to the Council's Audit Committee on any matters that are identified during their audit.

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## Introduction

1. The report summarises the principal matters arising from the audit carried out by BDO along with other areas that they are required to give an opinion on. The issues raised have been discussed with the Chief Finance Officer and other appropriate Officers. Auditing standards require the external auditors to report to those charged with governance, certain matters before giving an opinion on the accounts.
2. Subject to the successful resolution of matters set out in the outstanding matters section of the report, BDO anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
3. In addition the auditors give their opinion on the Use of Resources (Value for Money) that the Council provides in the provision of its services.
4. BDO will be issuing an unmodified opinion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.
5. A Senior BDO representative is expected to attend the Committee and present the report.

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## Wards Affected

None

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## 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
Anti-Poverty	No

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## Additional Information

Appendix A: Final report to the Audit Committee - Audit for the year ended 31 March 2017.

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## Officer to Contact

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Telephone: 01424 451524



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# HASTINGS BOROUGH COUNCIL

## AUDIT COMPLETION REPORT

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Audit for the year ended 31 March 2017  
11 September 2017



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# SUMMARY

## AUDIT SCOPE AND OBJECTIVES

Audit status	We have substantially completed our audit procedures in accordance with the planned scope and our objectives have been achieved, subject to resolution of matters set out in the outstanding matters section below.
Audit risks	The following have been heightened to significant risks during the course of our audit procedures subsequent to our issue of our Audit Plan: <ul style="list-style-type: none"> <li>• Non-current asset valuations (land, buildings and investment properties) have been increased from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year.</li> <li>• Pension liability valuation has been increased from a normal to a significant risk because significant judgements and estimation is used by the actuary for the valuation of the present value liability to pay future pensions.</li> </ul>
Materiality	Our final materiality is £1.78 million. This has been reduced from £1.85 million reported in our Audit Plan to reflect lower gross expenditure in 2016/17. We set triviality threshold at £35,000.
Changes to audit approach	There were no significant changes to our planned audit approach nor were any restrictions placed on our audit.

## KEY AUDIT AND ACCOUNTING MATTERS

Material misstatements	Our audit identified no material misstatements.
Adjusted misstatements	Our audit identified a number of immaterial misstatements that management has agreed to amend in the final financial statements. A few other presentational changes have been made to the financial statements as a result of the audit.
Unadjusted misstatements	There are no remaining non-trivial misstatements that require correction.
Control environment	Our audit identified no significant deficiencies in internal controls.

# SUMMARY

## KEY MATTERS FROM OUR AUDIT OF USE OF RESOURCES

Sustainable finances	We have reviewed the major assumptions underpinning the MTFS and we are satisfied that these are broadly reasonable. While there remains a funding gap to be addressed in the coming years, the Council has a clear understanding of what is required and has significant reserves to call on if required.
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## AUDIT OPINION

Financial statements	We anticipate issuing an unmodified opinion on the financial statements for the year ended 31 March 2017.
Use of resources	We anticipate issuing an unmodified opinion on the use of resources for the year ended 31 March 2017.

## OTHER MATTERS FOR THE ATTENTION OF THE AUDIT COMMITTEE

Whole of Government Accounts (WGA)	The Council is below the audit threshold for a full assurance review of the WGA Data Collection Tool.
Audit independence	Our observations on our audit independence and objectivity and related matters are set out in Appendix IV.
Audit certificate	We will issue our audit certificate after we have completed our work on the financial statements and use of resources

# INTRODUCTION

## PURPOSE AND USE OF THIS REPORT

We present our Audit Completion Report to the Audit Committee, which details the key findings arising from the audit for the attention of those charged with governance. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two way communication throughout the audit process.

As auditors we are responsible for performing our audit in accordance with International Standards on Auditing (UK & Ireland) which provide us with a framework which enables us to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management nor those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and use of resources. As the purpose of the audit is for us to express an opinion on the financial statements and use of resources, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

This report has been prepared solely for the use of the Audit Committee. In preparing this report we do not accept or assume responsibility for any other purpose or to any other person.

We would like to thank staff for their co-operation and assistance during the audit and throughout the period.

## AUDIT QUALITY

BDO is totally committed to audit quality. It is a standing item on the agenda of BDO's Leadership Team who, in conjunction with the Audit Stream Executive (which works to implement strategy and deliver on the audit stream's objectives), monitor the actions required to maintain a high level of audit quality within the audit stream and address findings from external and internal inspections. BDO welcome feedback from external bodies and is committed to implementing necessary actions to address their findings.

We recognise the importance of continually seeking to improve audit quality and enhancing certain areas. Alongside reviews from a number of external reviewers, the AQR (the Financial Reporting Council's Audit Quality Review team), QAD (the ICAEW Quality Assurance Department) and the PCAOB (Public Company Accounting Oversight Board who oversee the audits of US firms), the firm undertake a thorough annual internal Audit Quality Assurance Review and as member firm of the BDO International network we are also subject to a quality review visit every three years. We have also implemented additional quality control review processes for all listed and public interest audits.

More details can be found in our latest Transparency Report at [www.bdo.co.uk](http://www.bdo.co.uk).

## OUTSTANDING MATTERS

The following matters are outstanding at the date of this report. We will update you on their current status at the Audit Committee meeting at which this report is considered:

Clearance of outstanding issues, including:

- 1
  - Sample testing of Operating Leases
  - Re-performance of Housing Benefit expenditure workbooks
  - Receipt of third party bank confirmations (although year end balances confirmed through online account statements)

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- 2 Internal quality control review process

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- 3 Subsequent events review

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- 4 Final review and approval of the financial statements

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- 5 Management representation letter, as attached in Appendix VI, to be approved and signed

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# KEY AUDIT AND ACCOUNTING MATTERS

## AUDIT RISKS

We assessed the following matters as audit risks as identified in our earlier Audit Plan dated 8<sup>th</sup> March 2017. Pension liability assumptions and the valuation of non-current assets have been considered as significant risks.

Below we set out how these risks have been addressed and the outcomes of our procedures.

Key: ■ Significant risk ■ Normal risk

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
1 ■ Management override of controls	<p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls in all entities.</p> <p>By its nature, there are no controls in place to mitigate the risk of management override.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud.</p> <p>We obtained an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual.</p>	<p>Our audit work in relation to journals has not identified any significant issues.</p> <p>We have not found any indication of management bias in accounting estimates.</p> <p>Our views on significant management estimates are set out in this report.</p> <p>No unusual or transactions outside of the normal course of business were identified.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
2	Revenue recognition	<p>Under auditing Standards there is a presumption that income recognition presents a fraud risk.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance and / or conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p> <p>We also consider there to be a significant risk in relation to the existence of fees and charges recorded in the CIES.</p>	<p>We tested a sample of grants subject to performance and / or conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES.</p> <p>We tested a sample of fees and charges to ensure income has been recorded in the correct period and that all income that has been recorded should have been recorded.</p>	<p>We found no issues in our tested sample of grant income received.</p> <p>We found no issues in our tested sample of fees and charges.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

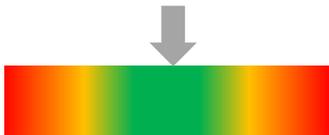
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AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
<p>3</p> <p><b>Land, buildings, dwellings and investment property valuations</b></p>	<p>Local authorities are required to ensure that the carrying value of land, buildings and investment properties are not materially different to existing use value for operational assets or fair value for surplus assets and investment properties at the balance sheet date.</p> <p>The Council appoints external valuers to value its land and buildings assets on a rolling 5 year basis. Significant assets, investment properties, and assets where there is evidence of a material change in value are valued annually.</p> <p>We consider there to be a risk over the valuation of land buildings, dwellings and investment properties where valuations are based on market assumptions or where updated valuations have not be provided for a class of assets at the year-end.</p> <p><i>(This has been increased from a normal risk to a significant risk due to volatility and uncertainty over market prices in the year)</i></p>	<p>We reviewed the instructions provided to the valuer and the valuer’s skills and expertise in order to determine if we can rely on the management expert.</p> <p>We confirmed that the basis of valuation for assets valued in year is appropriate based on their usage. We confirm that an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost.</p> <p>We reviewed the movements in valuations with other relevant market indices to assess the reasonableness of the valuations.</p>	<p>We assessed the valuer’s competence, independence and objectivity and determined we could rely on the management expert.</p> <p>For the sample of PPE assets and investment properties reviewed we are satisfied that the basis of the valuation for each asset is appropriate and that the revaluation movements have been correctly accounted for.</p> <p>A small number of assets required reclassification between ‘surplus assets’ and ‘land and buildings’, in line with the instructions provided to the valuer. We noted that this reclassification had not been made in the first version of the accounts.</p> <p>We also noted that due to a clerical error in the fixed asset register, the movement in the revaluation reserve was incorrectly calculated in the draft accounts. Management have agreed to correct the workings and make the required adjustment.</p> <p>Our review of the reasonableness of valuation assumptions applied is noted on the following page.</p>

## KEY AUDIT AND ACCOUNTING MATTERS

### SIGNIFICANT ACCOUNTING ESTIMATES

#### Land, buildings, dwellings and investment property valuations

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
<p>Land and buildings are valued by reference to existing use market values</p> <p>Investment properties are valued by reference to highest and best use market value</p> <p>Some specialist buildings are valued at depreciated replacement cost by reference to building indices</p>	<p>We reviewed the movements in valuations with other relevant market indices to assess the reasonableness of the valuations.</p> <p>In line with the Council's 5 yearly rolling valuation programme, the external valuers have valued property assets with a closing net book value of £58 million as at 31 March 2017. This included surplus assets and investment properties being valued on a highest and best use basis in accordance with IFRS13 requirements. This resulted in a net upwards revaluation movement of £5.5 million in the year for PPE and £46,000 for investment properties.</p> <p>Gerald Eve LLP has been appointed by the NAO to provide advice which will inform auditors on expected movements in values of land, buildings and investment property. The Gerald Eve report suggests the use of IPD capital value indexes as an appropriate benchmark movement for non-specialised assets. In the year, the IPD index has decreased by 0.08%, following moderate increases in prior years.</p> <p>Our comparison of valuation movements to expected movements for the period since the last revaluation, using this information, concluded that they are not unreasonable.</p> <p>Our review of assets not revalued, compared to national market movements since they were last revalued has confirmed that it is unlikely that their values have changed by a material amount.</p>	 <p>PRUDENT      AGGRESSIVE</p>

# KEY AUDIT AND ACCOUNTING MATTERS

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	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
4	<p><b>Pension liability assumptions</b></p>	<p>The pension liability comprises the Council’s share of the market value of assets held in the East Sussex Pension Fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the pension fund liability is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation. Management has agreed the assumptions made by the actuary to support the estimate and these are disclosed in the financial statements.</p> <p>There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p> <p><i>(This has been increased from a normal risk to a significant following a review of assumptions used by the actuary for the valuation of the present value liability to pay future pensions)</i></p>	<p>We agreed the disclosures to the information provided by the pension fund actuary.</p> <p>We requested assurance from the auditor of the pension fund over the controls for providing accurate membership data to the actuary.</p> <p>We reviewed the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>From our review of the pensions note in the draft financial statements and the supporting actuarial report, we noted that there had been a significant movement from investments with quoted prices not in active markets (‘level 2’ in the fair value hierarchy) to investments with quoted prices in active markets (‘level 1’ in the fair value hierarchy) compared to the prior year. Further to enquiries already made with East Sussex County Council, the actuary issued revised reports which reclassified investment funds and unit trust equities and bonds from level 1 to level 2. Management had identified this issue and agreed to amend the financial statements for these revised classifications.</p> <p>No issues were reported by the pension fund auditor with regard to the controls over providing complete and accurate data to the actuary.</p> <p>Our review of the reasonableness of assumptions used to calculate the present value of future pension obligations is noted in the following page.</p>

# KEY AUDIT AND ACCOUNTING MATTERS

## SIGNIFICANT ACCOUNTING ESTIMATES

### Pension liability assumptions

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION																																				
<p>The key assumptions include estimating future expected cash flows to pay pensions including inflation, salary increases and mortality of members; and the discount rate to calculate the present value of these cash outflows</p>	<p>The actuary has used the following assumptions to value the future pension liability:</p> <table border="1"> <thead> <tr> <th></th> <th>Actual used</th> <th>Actuary range</th> <th>PwC assessment of actuary range to market expectations</th> </tr> </thead> <tbody> <tr> <td>Salary increase</td> <td>2.8%</td> <td>--</td> <td>Reasonable</td> </tr> <tr> <td>Pension increase</td> <td>2.4%</td> <td>2.4%</td> <td>Reasonable</td> </tr> <tr> <td>Discount rate</td> <td>2.5%</td> <td>2.5-2.7%</td> <td>Reasonable</td> </tr> <tr> <td colspan="4">Mortality - LGPS:</td> </tr> <tr> <td>- Male current</td> <td>22.1 years</td> <td>21.5-22.8</td> <td>Reasonable</td> </tr> <tr> <td>- Female current</td> <td>24.4 years</td> <td>24.1-25.1</td> <td>Reasonable</td> </tr> <tr> <td>- Male future</td> <td>23.8 years</td> <td>23.7-24.4</td> <td>Reasonable</td> </tr> <tr> <td>- Female future</td> <td>26.3 years</td> <td>26.2-26.9</td> <td>Reasonable</td> </tr> </tbody> </table> <p>PwC concluded for Hymans Robertson:  <i>We are comfortable that the methodologies used to establish assumptions will produce reasonable assumptions at 31 March 2017 for all employers.</i></p> <p><b>Conclusion</b>                      We have compared the assumptions and estimates used by the actuary with the expected ranges provided by the independent consulting actuary. We are satisfied that the assumptions used are not unreasonable or outside of the expected ranges.</p>		Actual used	Actuary range	PwC assessment of actuary range to market expectations	Salary increase	2.8%	--	Reasonable	Pension increase	2.4%	2.4%	Reasonable	Discount rate	2.5%	2.5-2.7%	Reasonable	Mortality - LGPS:				- Male current	22.1 years	21.5-22.8	Reasonable	- Female current	24.4 years	24.1-25.1	Reasonable	- Male future	23.8 years	23.7-24.4	Reasonable	- Female future	26.3 years	26.2-26.9	Reasonable	<p style="text-align: center;">↓</p>  <p style="text-align: center;">PRUDENT      AGGRESSIVE</p>
	Actual used	Actuary range	PwC assessment of actuary range to market expectations																																			
Salary increase	2.8%	--	Reasonable																																			
Pension increase	2.4%	2.4%	Reasonable																																			
Discount rate	2.5%	2.5-2.7%	Reasonable																																			
Mortality - LGPS:																																						
- Male current	22.1 years	21.5-22.8	Reasonable																																			
- Female current	24.4 years	24.1-25.1	Reasonable																																			
- Male future	23.8 years	23.7-24.4	Reasonable																																			
- Female future	26.3 years	26.2-26.9	Reasonable																																			

## KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
5	Changes in presentation of the financial statements	<p>The Code requires a change to the presentation of some areas of the financial statements. This includes:</p> <ul style="list-style-type: none"> <li>change to the format of the Comprehensive income and Expenditure Statement (CIES)</li> <li>change to the format of the Movement in Reserves Statement</li> <li>new Expenditure and Funding Analysis (EFA) note</li> <li>change to the Segmental Reporting note</li> <li>new Expenditure and Income analysis note.</li> </ul> <p>These changes will require a restatement to the 2015/16 CIES.</p> <p>There is a risk that these presentational changes are not correctly applied in the financial statements.</p>	<p>We reviewed the draft financial statements and checked these against the CIPFA Disclosure Checklist to ensure that all of the required presentational changes have been correctly reflected within the financial statements.</p> <p>We confirmed that the analysis by service in the CIES is consistent with the internal reporting within the Council.</p> <p>We reviewed the restatement of the comparative 2015/16 information to ensure that this is presented consistently with the current year basis.</p>	<p>Some additional, unnecessary information was removed from the new Expenditure and Funding Analysis to bring it in line with the recommended presentation.</p> <p>Other than this, no issues were identified by our audit of these changes.</p>

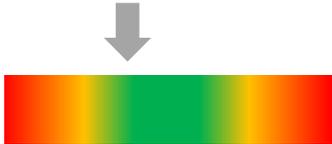
## KEY AUDIT AND ACCOUNTING MATTERS

	AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
6	Consideration of related party transactions	We need to consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards.	We reviewed the related party transactions identification procedures in place and reviewed relevant information concerning any such identified transactions.  We discussed with management and reviewed Councillor and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed.	Management has carried out its own Companies House and search and we found no undisclosed related party transactions.

# KEY AUDIT AND ACCOUNTING MATTERS

AUDIT AREA	RISK DESCRIPTION	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT FINDINGS AND CONCLUSION
7 Allowances for non-collection of receivables	<p>The Council makes allowance for the non-collection of receivables relating to housing benefit overpayments, council tax, Non Domestic Rates (NDR) and trade receivables.</p> <p>These allowances are management estimates based on historic experience, judgement and benchmarking against other similar authorities.</p> <p>There is a risk that the assumptions used may not be appropriate, which could lead to a misstatement of the allowance made.</p>	<p>We reviewed the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears.</p>	<p>We did not identify any material issues regarding the recoverability of receivables.</p> <p>Overall we have concluded that the impairment allowances for receivables are not materially misstated, although they are likely to be on the prudent side.</p> <p>We noted the movement in the housing benefit provision (£242,000) had been incorrectly posted. This adjustment was amended by management.</p>

## SIGNIFICANT ACCOUNTING ESTIMATES

ESTIMATE	HOW RISK WAS ADDRESSED BY OUR AUDIT	AUDIT CONCLUSION
Allowances for non-collection of receivables	<p>The impairment allowance for housing benefit overpayments at 31 March 2017 is £1.67 million, a decrease of £242,000 from the prior year, against an overpayments balance of £2.33 million.</p> <p>The Council has applied a provision rate of 65% to all overpayments, which is a reduction from the 70% used in the prior year. The Council has carried out some analysis in year which suggests that actual collection rates could be around 60%, and therefore there is a risk that the provision remains over-prudent. The exact impact of this will depend upon the level of old debts within the outstanding balance, which are less likely to be recovered. However, we are satisfied given the levels of debt involved that it will not be material.</p> <p>The total impairment allowance for council tax in the Collection Fund at 31 March 2017 is £4.55 million, an increase of £651,000 from the prior year, against total arrears of £5.9 million.</p> <p>The Council has a 14.2% share in these balances.</p> <p>The total impairment allowance for NDR in the Collection Fund at 31 March 2017 is £790,000, a decrease of £41,000 from the prior year, against total arrears of £1.1 million.</p> <p>The Council has a 40% share in these balances.</p>	<p style="text-align: center;">↓</p>  <p style="text-align: center;">PRUDENT      AGGRESSIVE</p>

## KEY AUDIT AND ACCOUNTING MATTERS

### OTHER ISSUES

We comment below on other issues identified in the course of our audit, of which we believe you should be aware:

	AUDIT AREA	AUDIT FINDINGS
8	Hastings Retail Park	<p>The Council purchased the retail park property on Sedlescombe Road during the year. The purchase has been treated as Property, plant and equipment (operational land and buildings) in the financial statements, rather than investment property. We have challenged this accounting treatment.</p> <p>Ordinarily, a retail park would be treated as an investment property as it is earning rentals and is not used in the delivery of Council services. However, the CIPFA Code allows certain assets to be deemed to be operational PPE where the purchase is used other than for rentals or capital appreciation. One example given is where rents are below market rates or is part of a wider economic regeneration scheme. Management has stated that this property is held economic development and regeneration purposes and to secure business rates in the area for the future.</p> <p>We intend to take a written management representation to confirm that the purchase was made for economic regeneration rather than for the rental stream as an investment.</p>
9	Other issues identified	<p>We have identified the following issues within the first draft financial statements:</p> <ul style="list-style-type: none"> <li>• Immaterial classification errors within and between debtors and creditors</li> <li>• Immaterial classification errors in the cash flow statement</li> <li>• Incorrect classification of specific debtors and creditors as financial Instruments</li> <li>• Prior year comparatives in the CIES, Capital Expenditure and Capital Financing note and the Collection fund statement that required correction</li> <li>• Incorrect figures and casting in the employee remuneration note</li> <li>• PILON omitted from the Termination Benefits and Exit Packages note</li> <li>• Some relevant expenses excluded from the members allowances figure</li> <li>• Operating lease disclosure not updated to agree to most recent version of the lease schedule</li> <li>• Other narrative changes required including correction of some dates.</li> </ul>

## OTHER REPORTING MATTERS

We comment below on other reporting required to be considered in arriving at the final content of our audit report:

	MATTER	COMMENT
10	<p>The draft financial statements, within the Statement of Accounts, was prepared and provided to us for audit on 29<sup>th</sup> June 2017.</p> <p>As part of our planning for the audit, we prepared a detailed document request which outlined the information we would require to complete the audit.</p>	We have no matters to report.
11	We are required to review the draft Annual Governance Statement and be satisfied that it is not inconsistent or misleading with other information we are aware of from our audit of the financial statements, the evidence provided in the Council's review of effectiveness and our knowledge of the Council.	We have no matters to report
12	We are required to read all the financial and non-financial information in the Narrative Report to the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.	We have no matters to report.

## CONTROL ENVIRONMENT

We are required to report to you, in writing, significant deficiencies in internal control that we have identified during the audit. These matters are limited to those which we have concluded are of sufficient importance to merit being reported to you.

As the purpose of the audit is for us to express an opinion on the Council's financial statements, you will appreciate that our audit cannot necessarily be expected to disclose all matters that may be of interest to you and, as a result, the matters reported may not be the only ones which exist. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

We note that the Council's internal audit function has issued a number of observations and recommendations on the Council's control environment during 2016/17. We have not repeated these recommendations in this report unless we consider them to highlight significant deficiencies in control which we are required to report to you.

We are not aware of any significant deficiencies in the Council's internal controls in 2016/17.

We have also identified other deficiencies in controls which have been discussed with management and included in the action plan at Appendix II.

# WHOLE OF GOVERNMENT ACCOUNTS

We comment below on other reporting required:

	MATTER	COMMENT
13	Auditors are required to review Whole of Government Accounts (WGA) information prepared by component bodies that are over the prescribed threshold of £350 million in any of: assets (excluding property, plant and equipment); liabilities (excluding pension liabilities); income or expenditure. The Council falls below the threshold for review and there is no requirement for further work other than to submit the section on the WGA Assurance Statement to the WGA audit team with the total values for assets, liabilities, income and expenditure.	Local authorities' were required to submit the unaudited DCT to HM Treasury and auditors by 7 July 2017. The Council met this deadline.  We will submit the relevant section of the assurance statement to the National Audit Office (NAO)

## USE OF RESOURCES

We are required to be satisfied that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources (value for money). This is based on the following reporting criterion:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

There are three sub criteria that we consider as part of our overall risk assessment:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties.

We reported our risk assessment, which included use of resources significant risks, in the 2016/17 Audit Plan issued in March 2017. We have since undertaken a more detailed assessment of risk following our completion of the interim review of financial controls and review of the draft financial statements, and we have not included any additional significant risks.

We report below our findings of the work designed to address these significant risks and any other relevant use of resources work undertaken.

Key: ■ Significant risk ■ Normal risk

# USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
<p>1 Sustainable Finances</p>	<p>The Council set a balanced budget for 2016/17 and 2017/18, with unfunded shortfalls of £726,000 and £1.2 million in 2018/19 and 2019/20 respectively. In addition to these shortfalls, the Council is planning to use a net total of £7.6 million from its earmarked reserves for revenue purposes over the 4 year period, including £2.2 million in 2016/17 and £2.3 million in 2017/18.</p> <p>The Council faces a significant challenge to close the funding gap and this is likely to require difficult decisions to be made around service provision and alternative delivery models.</p> <p><b>Financial outturn 2016/17</b></p> <p>The original 2016/17 budget from February 2016 set total revenue expenditure of £16.5 million (including the planned use of £2.3million of earmarked reserves), with net service expenditure budgeted at £15.7million. A sum of £881,000 was to be used from reserves to fund the deficit.</p> <p>The actual end of year total revenue expenditure was lower than budget at £14.9m (including the use of £2m of earmarked reserves), with actual net service expenditure of £13.4m. Net service expenditure was reduced by some £2.3m against the budget following a reduction of £287,000 to be financed from reserves and partly from the significant additional income achieved in the year. Instead of an £881,000 deficit the Council transferred £886,000 to reserves - but this figure needs to take account of one off adjustments such as carry forwards (£271,000) and disabled facility grants not used in the year (£431,000) to understand the true outturn position.</p> <p>The net underspend in year, which also follows the net underspend in 2015/16 (£500,000 was transferred to the General Reserve), provides evidence that the Council is successfully managing to reduce net expenditure, which will be partly through driving efficiencies identified through the PIER process and creating additional income streams.</p> <p><b>MTFS and savings targets</b></p> <p>We have reviewed the major assumptions underpinning the MTFS, and we are satisfied that these are broadly reasonable.</p> <p>The 2016/17 budget assumed savings of £0.5 million from the PIER process. Further savings of £0.7 million in 2017/18, £0.8million in 2018/19 and £1.2 million in 19/20 have been built into the latest budget round.</p> <p>The source of the savings has been identified and is set out in full within the Council’s budget document.</p>	<p>While there remains a funding gap to be addressed in the coming years, the Council has a clear understanding of what is required and has significant reserves to call on if required.</p>

## USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
1 Sustainable Finances	<p>It is clear that the Council still has some work to do to close the funding gap in future years. The funding deficits in the MTFS are budgeted at £1.7 million in 2017/18, £2.5 million in 2018/19 and £3.1 million in 2019/20. The planned use of earmarked and other reserves to help offset these are clearly not sustainable in the long term. Volatility in the future income from business rates will make this even more challenging.</p> <p>However, this should be seen in the context of the fact that the Council has a high level of earmarked reserves (£19.8 million at 31 March 2017, of which £1.3million is CCG funding)</p> <p>Therefore, some planned usage of these reserves in the medium term will not pose a threat to the long term sustainability of the Council, provided that efforts to continue to transition to a lower cost Council are successful.</p>	

# USE OF RESOURCES

RISK AREA	RISK DESCRIPTION AND WORK PERFORMED	AUDIT FINDINGS AND CONCLUSION
<p>2 Value for Money Profile Tool</p>	<p>We reviewed PSAA’s value for money profile tool, which benchmarks the Council against other district Councils in a number of key areas.</p> <p>Note that, due to delays in uploading the relevant data (for example financial data cannot be uploaded until after accounts have been audited, some of the data reviewed relates to previous financial years). Nevertheless, this provides a useful indication of the Council’s financial and non-financial performance in key areas, as well as providing contextual information such as indicators of deprivation.</p> <p><b>Overall costs benchmarking</b></p> <p>The Council’s net spend per head in 2015/16 remained in the top 5% of all District Councils at £720.81, compared to a national average for district councils of £391.29. This is a reduction of 5% from the previous year.</p> <p>Underpinning this, the Council was in the highest 10% for spending per head on council tax and housing benefits administration, culture and sport, housing services, and tourism.</p> <p>The high costs within the Council are driven primarily by deprivation, with the Council falling within the highest 5% of all districts in terms of the percentage of the area’s population living in the most deprived areas. This, in turn, means that the Council is positioned within the worst 5% of authorities in a number of other contextual indicators which tend to follow high levels of deprivation, such as the overall working age employment rate, proportion of children in income deprived families and poverty.</p> <p>The Council is continuing to seek ways to reduce its cost base, for example through the ongoing PIER process.</p>	<p>Although the benchmark data suggests that the Council’s services are provided at high cost this reflects the relative needs of the population that it serves.</p>

# APPENDICES

## APPENDIX I: AUDIT DIFFERENCES

We are required to bring to your attention audit differences identified during the audit, except for those that are clearly trivial, that the Audit Committee is required to consider. This includes: audit differences that have been corrected by management; and those that remain uncorrected along with the effect that they have individually, and in aggregate, on the financial statements.

### ADJUSTED AUDIT DIFFERENCES

Our audit has not identified any material misstatements.

All immaterial audit differences have been adjusted by management.

### UNADJUSTED AUDIT DIFFERENCES

There are no unadjusted audit differences identified by our audit work.

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

Key: ■ Significant deficiency in internal control ■ Other deficiency in internal control ■ Other observations

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
<b>CONTROL ENVIRONMENT</b>					
Variations to Pay Errors	<p>During our testing of overtime and variable hours claim forms, we noted a few cases where small arithmetic errors in completed forms were unnoticed by managers.</p> <p>This can lead to both under and overpayments to employees, and an unnecessary cost to the council</p> <p>This issue was also identified in Internal Audits testing.</p>	<p>We recommend that a secondary check of claim forms is performed either by line managers or by the payroll department before overtime forms are processed.</p>	Agreed	V. Connolly	1 <sup>st</sup> November 2018
Retrospective Purchase Orders	<p>Our testing of purchasing controls identified instances where a purchase order was raised in Agresso subsequent to a service being provided to the Council and an invoice being received. Similar cases have been identified by internal audit in the current and prior years.</p> <p>Failure to obtain authorisation prior to orders being placed with the supplier introduces a risk that the Council may be exposed to inappropriate or inefficient expenditure, and reduces the effectiveness of the procurement and three-way matching controls in place.</p>	<p>We are aware that employees are regularly reminded of the need to follow procurement procedures, but that there is currently no system enforced restriction to stop this happening. It is expected that the raising retrospective purchase orders will not be possible in the new system</p> <p>We recommend that management takes action to ensure that all officers are aware of the requirement to obtain authorisation for purchase requisitions prior to orders being placed, and ensures that controls are put in place when the new accounting system is installed.</p>	Agreed	A. Mitchell	1 <sup>st</sup> Jan 2018

## APPENDIX II: RECOMMENDATIONS AND ACTION PLAN

AREA	OBSERVATION AND IMPLICATION	RECOMMENDATION	MANAGEMENT RESPONSE	RESPONSIBLE OFFICER	TIMING
Supplier Bank Details Changes	There are still no formal controls in place around changes to supplier bank details. This increases the risk that the Council could fall victim to internal or external fraud.	We recommend that management put into place a formal control mechanism as soon as possible, a system enforced requirement to require authorisation of changes to bank details will lead to a stronger control.  We are aware that the creditor's team are currently working with Internal audit to create a procedure and a form. In the new ERP this form should be system generated and authorisation required in line with the system enforced workflow	The council is working to document existing good practice	S. Conway	1 <sup>st</sup> November 2017
<b>USE OF RESOURCES</b>					
Priority Income and Efficiency Review (PIER) Process	Although PIER savings are planned in detail within the council's annual budget reports, and savings identified in the PIER process are removed from budgets once they have been approved by cabinet, there is the opportunity to enhance reporting further to Cabinet by stating the actual savings achieved compared to the original estimates.	We recommend that management includes the actual savings achieved against each PIER scheme following their implementation, when reporting the outturn variance	To include in year-end report to Cabinet	P. Grace	July 2018

## APPENDIX III: MATERIALITY

MATERIALITY - FINAL AND PLANNING		
	FINAL	PLANNING
Materiality	£1,780,000	£1,850,000
Clearly trivial threshold	£35,000	£35,000

Planning materiality of £1,850,000 was based on 2% of the prior year gross expenditure.  
We revised our materiality to reflect amounts in the current year draft financial statements

## APPENDIX IV: INDEPENDENCE

We confirm that the firm complies with the Financial Reporting Council's Ethical Standards for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired. These policies include engagement lead and manager rotation, for which rotation is required after 5 years and 10 years respectively.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION	
Senior team members	Number of years involved
Leigh Lloyd Thomas - Audit engagement lead	3
Kirsty Slater - Project manager	1

We are not aware of any financial, business, employment or personal relationships between the audit team, BDO and the Council.

We have not identified any potential threats to our independence as auditors.

## APPENDIX V: FEES SCHEDULE

	2016/17 FINAL PROPOSED £	2016/17 PLANNED £	2015/16 FINAL £	EXPLANATION FOR VARIANCES
Code audit fee	£46,418	£46,418	£46,418	
Housing benefits subsidy claim	£8,844	£8,844	£8,844	
<b>TOTAL AUDIT AND CERTIFICATION FEES</b>	<b>£55,262</b>	<b>£55,262</b>	<b>£55,262</b>	
NON-AUDIT ASSURANCE SERVICES	-	-	-	
<b>TOTAL ASSURANCE SERVICES</b>	<b>£55,262</b>	<b>£55,262</b>	<b>£55,262</b>	

## APPENDIX VI: DRAFT REPRESENTATION LETTER

### TO BE TYPED ON CLIENT HEADED NOTEPAPER

BDO LLP  
55 Baker Street  
London  
W1U 7EU

[XX] September 2017

Dear Sirs

Financial statements of Hastings Borough Council for the year ended 31 March 2017

We confirm that the following representations given to you in connection with your audit of the Council's financial statements (the 'financial statements') for the year ended 31 March 2017 are made to the best of our knowledge and belief, and after having made appropriate enquiries of other officers and members of the Council.

The Chief Finance Officer has fulfilled his responsibilities for the preparation and presentation of the financial statements as set out in the Accounts and Audit Regulations 2015 and Statement of responsibilities of auditors and of audited bodies: local government issued by Public Sector Audit Appointments (PSAA), and in particular that the financial statements give a true and fair view of the financial position of the Council as of 31 March 2017 and of its income and expenditure and cash flows for the year then ended in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) and for making accurate representations to you.

We have fulfilled our responsibilities on behalf of the Council, as set out in the Accounts and Audit Regulations 2015, to make arrangements for the proper administration of the Council's financial affairs, to conduct a review at least once in a year of the effectiveness of the system of internal control and approve the Annual Governance Statement, to approve the Statement of Accounts (which include the financial statements), and for making accurate representations to you.

We have provided you with unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence. In addition, all the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and other meetings have been made available to you.

In relation to those laws and regulations which provide the legal framework within which the Council's business is conducted and which are central to our ability to conduct our business, we have disclosed to you all instances of possible non-compliance of which we are aware and all actual or contingent consequences arising from such instances of non-compliance.

There have been no events since the balance sheet date which either requires changes to be made to the figures included in the financial statements or to be disclosed by way of a note. Should any material events of this type occur, we will advise you accordingly.

## APPENDIX VI: DRAFT REPRESENTATION LETTER

We are responsible for adopting sound accounting policies, designing, implementing and maintaining internal control, to, among other things, help assure the preparation of the financial statements in conformity with international financial reporting standards and preventing and detecting fraud and error.

We have considered the risk that the financial statements may be materially misstated due to fraud and have identified no significant risks.

To the best of our knowledge we are not aware of any fraud or suspected fraud involving councillors, management or employees. Additionally, we are not aware of any fraud or suspected fraud involving any other party that could materially affect the financial statements.

To the best of our knowledge we are not aware of any allegations of fraud or suspected fraud affecting the financial statements that have been communicated by councillors, employees, former employees, analysts, regulators or any other party.

We have disclosed to you the identity of all related parties and all the related party relationships and transactions of which we are aware. We have appropriately accounted for and disclosed such relationships and transactions in accordance with the applicable financial reporting framework.

We have no plans or intentions that may materially affect the carrying value and where relevant, the fair value measurement, or classification of assets or liabilities reflected in the financial statements.

We confirm the following significant assumptions made in relation to accounting estimates (including fair value measurements) used in the preparation of the financial statements:

### a) Pension fund assumptions

We confirm that the actuarial assumptions underlying the valuation of the Local Government Pension Scheme (LGPS) liabilities, as applied by the scheme actuary, are reasonable and consistent with our knowledge of the business. These assumptions include:

- Rate of increase in salaries: 2.8%
- Rate of increase in pensions: 2.4%
- Rate for discounting scheme liabilities: 2.5%
- Longevity at 65 for current pensioners: 22.1 years (men) and 24.4 years (women)
- Longevity at 65 for future pensioners: 23.8 years (men) and 26.3 years (women)

### b) Valuation of land, buildings and investment properties

We are satisfied that the useful economic lives of land and buildings, and their constituent components, used in the valuation and the calculation of the depreciation charge for the year, are reasonable.

We confirm that the valuations applied to land and buildings revalued in the year, as provided by the valuer and accounted for in the financial statements, are reasonable and consistent with our knowledge of the business and current market prices.

We are satisfied that investment properties have been appropriately assessed on the fair value hierarchy for valuation purposes and valued at fair value, based on highest and best use.

We confirm that the purchase of the Hastings retail park was for the purpose of economic regeneration in addition to rentals, and as such, its treatment as Land and Buildings rather than Investment Property in the accounts is appropriate.

## APPENDIX VI: DRAFT REPRESENTATION LETTER

### c) Allowance for non-collection of receivables

We are satisfied that the impairment allowances for council tax arrears, NDR arrears and housing benefit overpayments are reasonable, based on collection rate data.

We consider that the Council is able to continue to operate as a going concern and that it is appropriate to prepare the financial statements on a going concern basis.

We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

We confirm that the above representations are made on the basis of enquiries of councillors, management and staff with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that the financial statements are free of material misstatements, including omissions.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director and member has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Peter Grace

Chief Finance Officer

[date]

Councillor John Rankin

Chairman

Signed on behalf of the Audit Committee

[date]

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FOR MORE INFORMATION:

**Leigh Lloyd Thomas**  
Engagement lead

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The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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# Agenda Item 5



**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** PSAA Appointment of External Auditor

**Report By:** Peter Grace  
Assistant Director - Financial Services and Revenues

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## **Purpose of Report**

Further to our report on Public Sector Audit Appointments (PSAA) to the Audit Committee on 25 January 2017, we have been advised that the auditors for 2018/19 will be Grant Thornton.

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## **Recommendation(s)**

**1. That PSAA be advised that this council has no objection to this appointment**

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## **Reasons for Recommendations**

PSAA must under regulation 13 of the Regulations, appoint an auditor to each opted-in authority and consult the authority about the proposed appointment.

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## Introduction

### **This is a formal communication to the chief executive and chief finance officer of Hastings Borough Council to consult on the auditor appointment from 2018/19**

1. The PSAA has written to consult you on the appointment of Grant Thornton (UK) LLP to audit the accounts of Hastings Borough Council for five years from 2018/19. The appointment will start on 1 April 2018.

## Background

2. For audits of the accounts from 2018/19, PSAA is responsible for appointing an auditor to principal local government and police bodies that have chosen to opt into its national auditor appointment arrangements. More information on the [appointing person scheme](#) is available on our website.

## About the proposed appointment

3. PSAA must, under regulation 13 of the Regulations, appoint an external auditor to each opted-in authority and consult the authority about the proposed appointment.
4. Hastings Borough Council has opted into PSAA's auditor appointment arrangements. We have sent regular email communications to audited bodies about this process, and wrote to you on 19 June 2017 to advise you that we had completed a procurement to let audit contracts from 2018/19. Grant Thornton (UK) LLP was successful in winning a contract in the procurement, and we propose appointing this firm as the auditor of Hastings Borough Council.
5. Grant Thornton UK comprises around 4,500 employees delivering services to 40,000 clients. The public sector has played a significant role within the firm for over 30 years. The UK Public Sector Assurance team employs 301 people, including 29 Key Audit Partners, based in designated 'centres of excellence', providing it with locally based public sector specialists across the country. The team is solely dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and the Wales Audit Office. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's development of appropriate thought leadership and support, such as its series of publications and workshops on income generation in local authorities. In addition, the team can draw on the commercial skills and experience of a wider assurance team of over 1,516 individuals, to reflect the changing assurance needs of local authorities and NHS bodies.
6. In developing this appointment proposal, we have applied the following principles, balancing competing demands as much as we can, based on the information provided to us by audited bodies and audit firms:

Ensuring auditor independence, as we are required to do by the Regulations;

Meeting our commitments to the firms under the audit contracts;

Accommodating joint/shared working arrangements where these are relevant to the auditor's responsibilities;

Ensuring a balanced mix of authority types for each firm;

Taking account of each firm's principal locations; and

Providing continuity of audit firm if possible, but avoiding long appointments.

7. Further information on the [auditor appointment process](#) is available on our website.

## Responding to this consultation

8. PSAA are consulting you on the proposed appointment of Grant Thornton (UK) LLP to audit the accounts of Hastings Borough Council for five years from 2018/19. The consultation will close at 5pm on Friday 22 September 2017.
9. If you are satisfied with the proposed appointment, please confirm this by email to [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk). No further action is needed from you.
10. The PSAA Board will consider all proposed auditor appointments at its meeting scheduled for 14 December 2017. We will write by email to all opted-in bodies after this Board meeting to confirm auditor appointments.

## Process for objecting to the proposed auditor appointment

11. If you wish to make representations to PSAA about the proposed auditor appointment, please send them by email to [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk) to arrive by 5pm on Friday 22 September 2017.
12. Representations can include matters that you believe might be an impediment to the proposed firm's independence, were it to be your appointed auditor. Your email should set out the reasons why you think the proposed appointment should not be made. The following may represent acceptable reasons:
- There is an independence issue in relation to the firm proposed as the auditor, which had not previously been notified to PSAA;
- There are formal and joint working arrangements relevant to the auditor's responsibilities, which had not previously been notified to PSAA; or
- There is another valid reason, for example you can demonstrate a history of inadequate service from the proposed firm.
13. PSAA will consider carefully all representations and will respond by Monday 16 October 2017 by email.
14. If your representations are accepted, we will consult you on an alternative auditor appointment between 16-27 October 2017. If your representations are not accepted, we will confirm this to you. You may choose to make further representations to the PSAA Board, providing any additional information to support your case.

15. PSAA will write to all bodies to confirm the Board's final decision on the appointment of the auditor before 21 December 2017.

## Scale fees for 2018/19

16. We will consult on scale fees for 2018/19 in due course and will publish confirmed scale fees for 2018/19 for opted-in bodies on our website in March 2018. The results of the audit procurement indicate that a reduction in scale fees in the region of approximately 18 per cent should be possible for 2018/19, based on the individual scale fees applicable for 2016/17. Further [information on the audit procurement](#) is available on our website.

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## Wards Affected

None

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## 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	Yes
Local People's Views	No
Anti-Poverty	No

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## Additional Information

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## Officer to Contact

Officer: Tom Davies  
Email: [TDavies@hastings.gov.uk](mailto:TDavies@hastings.gov.uk)  
Telephone: 01424 451524

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# Agenda Item 6



**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** Strategic Risk Register

**Report By:** Tom Davies  
Chief Auditor

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## **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.

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## **Recommendation(s)**

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

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## **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.

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## Introduction

### Background

1. 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.
2. 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
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. 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.

### Highest risks to the Council

5. These very highest risks to the Council are those that are of high likelihood and would have a high impact. These are denoted as High2 at appendix A and are:
  - High2 Reductions in Government funding.
  - High2 Impact of economic climate and government spending reduction
  - High2 Changes in Central Government policy and decision making and changes In European Legislation which impact on the Council.
  - High2 Partnership regeneration programme needs to be re-appraised as affected by focus of regeneration resources to North England away from the South East .

- High2 Increased demand for council services because of economic/social deprivation as a consequence of economic constraints on public spending.
- High2 Insufficient capacity and Organisational change whilst maintaining service delivery.
- High2 Deterioration of the Council's assets and other infrastructures e.g. playgrounds and open spaces and sea front.
- High2 'Brexit' implications
- High2 Significantly reduced Higher Education provision

6. 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 Loss of key staff / skills / knowledge
- 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 Waste Collection arrangements, July 2019 and beyond
- High3 Extreme weather: Drought/Rain/Snow/high winds and landslip/Coastal Protection

7. The mitigating actions to the above risks are monitored every quarter.

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

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### Wards Affected

None

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### 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

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**Additional Information**

Appendix A - Strategic Risk Register.

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**Officer to Contact**

Officer: Tom Davies  
Email: TDavies@hastings.gov.uk  
Telephone: 01424 451524

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## 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> <p>Income generation programme established; Commercial property and Housing company started – Energy generation options being examined.</p> <p>Signed up to the 4-year funding settlement with Government on basis of Efficiency Plan submitted.</p> <p>Waiting for the Fair Funding Review decision on 100% retention of business rates.</p>
2	Changes in Central Government policy and decision making and changes in European Legislation which impact on the Council (In the short term, what EU Legislation is the UK Government going to retain and what will it reject).	High	High	High2	<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</p>	Political Leadership / Chief Officers	<p>Identify and compliance with changes.</p> <p>Reprioritisation and reallocation of resources.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
					influence European legislation.  Impact on contracts and tendering.		
3	Partnership regeneration programme needs to be re-appraised as affected by focus of regeneration resources to North England away from the South East .	High	High	High2	Loss of private sector investment. Regeneration programme stalls.	Political Leadership / Chief Officers Partner Organisations	Active participation in LEP and its several funding streams. Seek alternative funding to maintain programme. Actively seek inward investment. Active involvement in Task Force and ESEID. Reappraise regeneration programme in light of funding opportunities and models – we will still have an ambitious programme.
4	Increased demand for council services (e.g. Housing, Homelessness and associated risks around rough sleeping and Community Safety) 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	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.  Potential impact on homelessness presentations and acceptances, including temporary accommodation usage.	Political Leadership / Chief Officers	Maintain and widen partnership working, e.g. the successful approach to tackling social issues around street community. Widen partnership working. Seek all external economic development financial opportunities.  Community Safety Partnership.  Summit of Key Stakeholders and Partners.  Council's Council Tax Reduction Scheme aims to lessen impact on the most vulnerable in our town.  Our CPF programme directed at

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
							<p>advice and support for vulnerable people.</p> <p>Performance targets for homelessness reviewed and agreed. Additional financial support for prevention measures supported through Discretionary HB payments etc. and new Government funding. Review and monitoring of staff capacity to be carried out mid year.</p>
5	Insufficient capacity for organisational change whilst maintaining service delivery. No resilience in the organisation.	High	High	High2	<p>Opportunities to implement more efficient ways of working constrained by limited capacity – and affected by unplanned losses of team members through sickness etc. Council is significantly less resilient. Financial and reputational. Failure to deliver corporate objectives. Service standards slip. Efficiencies not met. Pressure on individual staff continues to increase.</p>	Political Leadership / Chief Officers	<p>Review strategic priorities. Effective prioritisation. Acceptance of limitations on capacity. Political prioritisation. Link to the budget for staff capacity.</p>
6	Loss of key staff / skills / knowledge.	Medium	High	High1	<p>Loss of resilience. Loss of capacity to deliver services to a desired or statutory standard.</p>	Chief Officers / People, Customer & Business Support	<p>Succession planning. BCP resilience. Recruitment/Retention Policy. Training Support mechanisms. Staff retention strategy developed by People, Customer &amp; Bus Support.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
							Prioritisation and One Team working – opportunities to divert skilled resources to higher priority areas for a limited time.
7	Risk of a successful legal challenge.	Low	Medium	Medium2	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 support available if required. Planning Advice appropriately triggered for a response. Maintain high quality Development Control Service.
8	Deterioration of the Council's assets and other infrastructures e.g. playgrounds open spaces and sea front.	High	High	High2	Financial Loss. Reputational Loss. 3 <sup>rd</sup> 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. Review and rationalisation strategy undertaken to inform future budget decisions.
9	Contractual Partnerships: Breakdown in contractor performance, for example, Kier Waste contract, Building Control, Leisure contract, White Rock Theatre contract and Ground Maintenance etc.	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.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
	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.
10	Deterioration of the Town's image and culture.	Medium	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. Adverse impact on the local economy.	Political Leadership / Chief Officers / External Partners / Private Sector	Planning and Conservation. Enforcement. Attract inward investment through regeneration programme and external funding opportunities to enhance our USP's..  Effective Marketing resources directed to attract new and maintain existing markets.
11	Ineffective Project Control.	Low	High	Medium3	Projects overrun in time/budget. Reputational.	Chief Officers / Project Sponsors	Use Corporate project management toolkit. Implementation of enhanced Corporate Programme and Project Management approach on-going. Specialist resources available to support delivery and skills development. Programme and Project Boards to monitor delivery of key projects. Effective project monitoring by CMG. Regular Risk Reviews by Audit team. Ensure appropriate project management expertise.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
12	IT Systems loss (IT Systems exposed to some vulnerability).	Medium	High	High1	Loss of power supply. Hardware failure.	Chief Officers	Regular maintenance and inspection of building services. Business Continuity and disaster Recovery plans in place and tested.
	Data loss (protected through regular frequent back-ups).	Low	High	Medium3	Viral attack could leave the council's key systems, communications and customer engagement tools redundant.	Chief Officers	Back up data systems in place to protect data.
	Failure to comply with the General Data Protection Regulation (GDPR) 25 May 2018.	Low	High	Medium3	Reputation for safeguarding data. Large financial fines imposed.	Chief Officers	GDPR development plan in development.
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.
14	Severe Business Disruption.	Medium	High	High1	Service failure. Reputational damage.	Chief Officers	Detailed review of Business Continuity Plans (BCP's) underway with external support – to be completed by end 2017 in place. Regular testing of BCP's. Security arrangements have been enhanced and are regularly checked/updated.

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
15	<p>Extreme weather</p> <ul style="list-style-type: none"> <li>• Drought</li> <li>• Rainfall</li> <li>• Snow and high winds</li> <li>• Landslip and other natural hazards on coastal cliffs</li> <li>• Flood risk management and coastal protection</li> </ul>	High	Medium	High3	<p>Impact on local economy and on council's business operations</p> <p>Flood damage to property and land</p> <p>Disruption to services</p> <p>Loss of life / serious injury Damage to property Loss of access / amenity Financial impact Reputation undermined</p>	Chief Officers	<p>Strengthened water conservation measures in place and further measures under investigation</p> <p>Surface water management action plan in place</p> <p>Severe weather management action plan in place</p> <p>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.</p> <p>Tested flood risk management plan. Environment Agency funded coastal protection works.</p>
16	<p>Use of emergency and other powers may be subject to compensation payment.</p> <p>Pier compensation.</p>	Medium	High	High1	Financial loss including payment of compensation and possibly legal costs	Chief Officers / Chief Legal Officer	<p>Alternative legal power Check with Chief Legal Officer</p> <p>Instructing professionals expert in this field. In-house team constructing arguments and providing evidence in support.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
17	'Brexit' implications.	High	High	High2	<p>Note: At this time, the implications aren't fully known.</p> <p>Loss of most/all European Grant Funding</p> <p>Decline in European visitors or workers</p> <p>Lost benefits of those European grant funded projects terminated</p> <p>Medium to long term economic uncertainty</p> <p>Loss of key industries whose trade is with Europe</p>	Chief Officers	<p>Monitor how negotiations proceed</p> <p>Government short term guarantee for approved grants</p> <p>Provide appropriate assistance and that is permissible</p> <p>Targeted marketing</p>
18	Significantly reduced Higher Education provision. Public service provision across the town e.g. withdrawal of university, amalgamation of FE provision, reduction in GP service provision, reduction in professional staff across public sector.	High	High	High2	<p>Reduced learning and educational support and opportunities for people and impact on image and reputation of the town.</p> <p>Skills gap widens causing commerce uncertainty whether to locate / stay here.</p> <p>Loss of student economy</p> <p>Higher unemployment leading to higher state dependency</p>	Political Leadership and Chief Officers	<p>Lobbying via LGA and other national bodies about impacts across sectors.</p> <p>Contribution to and understanding built up across strategic partnerships within Hastings, East Sussex and the South East.</p> <p>Cross-educational and council working group established.</p> <p>Professional study commissioned leading to an action plan for agreement and inception.</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
19	Implementation of new Enterprise Resource Planning (ERP) system across Hastings Borough Council from 1 <sup>st</sup> April 2018. ERP implementation is a shared project with Rother District Council.	Low	High	Medium3	If “Go Live” activity is adversely impacted it would leave the councils without key financial and HR systems.	Chief Officers	<p>Strong programme management controls in place – Corporate Directors of both Hastings Borough Council and Rother District Council actively engaged in monitoring progress.</p> <p>Expertise of project management consultants employed to assist with design, build and date transfer – they have previous experience of implementing.</p> <p>Shared project with Rother District Council gives resilience and shared knowledge by key staff. Contingency plans established.</p>
20	Emergency Planning for a Major Emergency in the borough	Low	High	Medium3	<p>Statutory duty to have appropriate arrangements in place.</p> <p>Reputational risk if not seen to be managed professionally</p> <p>Financial risk as resources will need to be used</p>	Chief Officers	<p>HBC is an active participant in emergency planning arrangements for Sussex, through membership of the Sussex Resilience Forum, and the East Sussex Resilience and Emergencies Partnership.</p> <p>Use of SRF generic and tailored emergency plans, and access to training through the SRF and ESREP.</p> <p>We operate a 365 days a year emergency on call system, so that operational staff, and tactical and strategic managers can be mobilised to liaise with the emergency services if incidents</p>

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
							occur in the borough.  Arrangements in place to mobilise emergency assistance centres such as for evacuated residents, and we have recently significantly increased the number of staff volunteers for rest centres, and trained them.
21	Significant Contracts for renewal: Leisure & White Rock Theatre	Low	High	Medium3	Financial risk  Reputational risk if poor performing contractor is selected	Chief Officers	East Sussex Procurement Hub  Senior management overview of the stages of this procurement project
22	The waste contract will end in June 2019 through a mutual termination agreement agreed in March 2017. Risks arising include:-  Poor performance/lack of investment from contractor during remainder of the contract. High turnover of key contractor staff as the contract termination approaches. Need to ensure new arrangements in place by June 2019.	Medium	High	High1	Poor service to residents such as missed waste collections. Negative impact on street scene and thereby on the economy of the town. For example through decreased tourism, and investment by business. Increased costs due to need to monitor contractor more closely. Reputational damage to HBC. No waste and cleansing services in place when current contract ends.	Chief Officers	Mutual termination agreement retained service standards and rectification and default arrangements. There is also provision for regular senior level performance review meetings, as well as the routine Joint Waste Committees attended by Lead members from across the partnership. HBC Senior management has established high level meetings with contractor to monitor progress. The HBC client team has been strengthened with 1 new post and the continuation of an existing temporary post. Increased use of rectification and default clauses. HBC has committed to a new joint

Target	Potential Risk	Likelihood	Impact	Overall Score	Potential Impact	Responsibility for controls	Steps to mitigate risk, time frame for implementation and latest position
							waste procurement project with Rother and Wealden. Our new waste collection contract will be procured through this partnership. Cabinet has agreed that our preferred model for delivering street cleansing is through a direct services organisation. Additional specialist support will be employed to assist the development and potential mobilisation of the new DSO in time for June 2019.

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# Agenda Item 7



**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** Operational Risk Register

**Report By:** Tom Davies  
Chief Auditor

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## **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.

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## **Recommendation(s)**

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

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## **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.

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## Introduction

### Background

1. The Service Operational Risk Registers are subject to a quarterly assessment at the relevant Directorate 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 22 September 2016 meeting alongside the Strategic Risk Register to enable a holistic 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.

## Highest risks to the Council

6. 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)
  - Reputational risk of a bad PR story
  - Loss of EU funding programmes HBC is currently developing or pre signature due to 'BREXIT' and loss of EU transnational programmes due to 'Brexit' and EU programmes no longer requiring a UK partner
  - Over-commitment of Council resources on external funding opportunities
  - Production of the Town Centre and White Rock Area Action Plan and other Local Plan related developments; work demands that are not programmed, for example, Neighbourhood Plans.
7. 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.
8. The majority of the high risks are resource related and revolve around the severe financial restraints, 'Brexit' 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.
9. Details of all the operational risks can be found at appendix A.

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### Wards Affected

None

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### 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  |

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**Additional Information**

Appendix A - Operational Risk Register.

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**Officer to Contact**

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## OPERATIONAL RISK REGISTER

September 2017

### Corporate Services and Governance Directorate

Service: **FINANCE**

|   | Service | Potential Risk                                                                                       | Risk Rating<br>(Likelihood / Impact)           | Potential Impact                                 | Responsibility for controls                                   | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                           |
|---|---------|------------------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Finance | Treasury Management<br>- Loss of money<br>- Reduction of investment interest<br>- Cost of borrowing  | Low / High<br>Low / Medium<br><br>Medium / Low | - Now £15-28 million invested at any one time    | - Assistant Director – Financial Services & Revenues          | - Use of External Advisers – Capita Asset Services<br>- Ensure staff are well trained<br>- Ensure adequate cover<br>- Treasury Management Strategy and Treasury Management Practices that are Reviewed at least annually<br>- Spread of investments |
| 2 | Finance | Cash collection contract<br>- Firm collapses<br>- Theft by company                                   | Low / High                                     | - Reputation undermined<br>- Loss of circa £200k | - Assistant Director – Financial Services & Revenues          | - Continue daily monitoring of cash banked<br>- Regular communication with supplier if the contract is not complied with<br>- Insurance<br>- Contractor changed in autumn 2013                                                                      |
| 3 | Finance | Reduction/Loss of Government Grant (budget deficit) in 2016/17 after the mid-year review and beyond. | High / High                                    | - Budget deficits                                | - CMG<br>- Assistant Director – Financial Services & Revenues | - ongoing PIER process<br>- CMG - Efficiencies<br>- Medium Term Financial Strategy<br>- Adequate Reserves/Resources<br>- Generation of more income                                                                                                  |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service | Potential Risk               | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                                          | Responsibility for controls                                                                                                                                                                         | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                     |
|---|---------|------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4 | Finance | Uninsured properties / risks | Medium / Medium                      | <ul style="list-style-type: none"> <li>- Properties not insured</li> <li>- Loss of money in the event of loss</li> </ul>                  | <ul style="list-style-type: none"> <li>- Assistant Director – Financial Services &amp; Revenues</li> </ul>                                                                                          | <ul style="list-style-type: none"> <li>- Ensure thorough renewals process each year</li> <li>- Make sure we liaise with Estates to ensure all properties are adequately insured</li> <li>- Training and carry out inspections</li> <li>- Insurance reserve for uninsured losses</li> </ul>                                                    |
| 5 | Finance | Income stream                | Medium / High                        | <ul style="list-style-type: none"> <li>- Budget deficit</li> </ul>                                                                        | <ul style="list-style-type: none"> <li>- Assistant Director – Financial Services &amp; Revenues</li> <li>- Chief Accountant</li> </ul>                                                              | <ul style="list-style-type: none"> <li>- Ensure regular budget monitoring reports distributed followed up by meetings</li> <li>- Report variances to Heads of Service so they can address any budget deficits within their service</li> <li>- Report variances quarterly through performance review</li> <li>- Adequate provisions</li> </ul> |
| 6 | Finance | Business Continuity          | Medium / High                        | <ul style="list-style-type: none"> <li>- Payments, benefits, creditors &amp; Treasury Management</li> </ul>                               | <ul style="list-style-type: none"> <li>- Assistant Director – Financial Services &amp; Revenues</li> <li>- Chief Accountant</li> </ul>                                                              | <ul style="list-style-type: none"> <li>- Look to ensure finance system meets changing needs of business</li> <li>- Ensure full staff complement</li> <li>- Business Continuity Plan in place</li> </ul>                                                                                                                                       |
| 7 | Finance | Loss of key staff            | Medium / High                        | <ul style="list-style-type: none"> <li>- Stress</li> <li>- Errors / omissions</li> <li>- Financial loss</li> <li>- Poor advice</li> </ul> | <ul style="list-style-type: none"> <li>- Chief Accountant</li> <li>- Assistant Director – Financial Services &amp; Revenues</li> <li>- Personnel, Policies and Strategies</li> <li>- CMG</li> </ul> | <ul style="list-style-type: none"> <li>- Keep staff motivated</li> <li>- Ensure knowledge is shared</li> <li>- Terms and Conditions</li> </ul>                                                                                                                                                                                                |

## OPERATIONAL RISK REGISTER

September 2017

|    | Service | Potential Risk                                                          | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                                                                                  | Responsibility for controls                                                                                                            | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                       |
|----|---------|-------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8  | Finance | Changes in legislation                                                  | Medium / Medium                      | <ul style="list-style-type: none"> <li>- Failure to produce accounts</li> <li>- Qualified by auditor</li> <li>- Staff time &amp; costs</li> <li>-Reputation Undermined</li> </ul> | <ul style="list-style-type: none"> <li>- Assistant Director – Financial Services &amp; Revenues</li> <li>- Chief Accountant</li> </ul> | <ul style="list-style-type: none"> <li>- Regular liaison with our external auditors, BDO</li> <li>- Train staff</li> </ul>                                                                                                                                                                                                                      |
| 9  | Finance | Budget settings<br>- No decisions<br>- Late decisions<br>- No processes | Low / Low                            | <ul style="list-style-type: none"> <li>- Staff disenfranchised</li> <li>- Low morale</li> <li>- In fighting</li> </ul>                                                            | <ul style="list-style-type: none"> <li>- Assistant Director – Financial Services &amp; Revenues</li> <li>- Chief Accountant</li> </ul> | <ul style="list-style-type: none"> <li>- Ensure regular budget monitoring reports distributed followed up by meetings</li> <li>- Report variance through performance review</li> <li>- PIER process</li> <li>- Provide appropriate financial advice as directors/senior management request</li> <li>- Medium Term Financial Strategy</li> </ul> |
| 10 | Finance | External suppliers<br>- Bankruptcy, administration                      | Medium / High                        | <ul style="list-style-type: none"> <li>- Depends which contract</li> </ul>                                                                                                        | <ul style="list-style-type: none"> <li>- Chief Accountant</li> </ul>                                                                   | <ul style="list-style-type: none"> <li>- Financial health checks</li> </ul>                                                                                                                                                                                                                                                                     |

## OPERATIONAL RISK REGISTER

September 2017

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"> <li>- Loss of knowledge and relationship with tenants</li> <li>- Tenants dissatisfied and leave</li> </ul>                     | - Assistant Director – Finance and Revenues                                                                              | <ul style="list-style-type: none"> <li>- Keep staff motivated</li> <li>- Retain IIP status</li> <li>- Ensure knowledge shared within Team</li> <li>- Terms and Conditions</li> </ul>                                                                                                                                                                               |
| 2 | Estates | Increase in empty units / major tenant leaves | Medium / Medium                   | <ul style="list-style-type: none"> <li>- Loss of rental income</li> <li>- Units handed back and difficult to re-let</li> <li>- Increased costs (rates)</li> </ul> | - Estates Manager                                                                                                        | <ul style="list-style-type: none"> <li>- Effective advertising</li> <li>- Maintain tenant relationships and get early warning</li> <li>- Maintain an overview of individual businesses and their operating environment</li> <li>- Maintain satisfactory level of general reserves</li> <li>- Undertake due diligence prior to purchasing new properties</li> </ul> |
| 3 | Estates | Failure to maintain assets                    | Low/High                          | - Properties fall into disrepair                                                                                                                                  | - Estates Manager                                                                                                        | <ul style="list-style-type: none"> <li>- Regular inspections</li> <li>- Adequate budget (R&amp;R)</li> <li>- Planned programme of repairs and inspections</li> </ul>                                                                                                                                                                                               |
| 4 | Estates | Properties not adequately insured             | Low/Medium                        | - Council has to reinstate from own money                                                                                                                         | <ul style="list-style-type: none"> <li>- Estates Manager</li> <li>- Assistant Director – Finance and Revenues</li> </ul> | - Complete revaluation of Council property and ensure regular checks on tenanted property                                                                                                                                                                                                                                                                          |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service | Potential Risk                                                              | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                           | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position |
|---|---------|-----------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|---------------------------------------------------------------------------|
| 5 | Estates | Environmental legislation introduced which we do not currently comply with. | Medium/Low                        | <ul style="list-style-type: none"> <li>- Units with an energy rating of E or worse can't be let after 2018</li> <li>- Cost as business rates could be linked to energy performance of buildings</li> </ul> | - Estates Manager           | - Assess energy performance of our buildings and improve where necessary  |

## OPERATIONAL RISK REGISTER

September 2017

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"> <li>- Wrong HB/CTB paid to customers</li> <li>- Subsidy claim qualified</li> <li>- Reputational</li> </ul>                                        | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Performance and Quality Manager</li> </ul>         | <ul style="list-style-type: none"> <li>- Ensure software supplier delivers upgrade on time</li> <li>- Fully test software prior to installing In 'live' system</li> <li>- Train staff in new procedure</li> </ul>                                                          |
| 2 | Revenues & Benefits | Increased caseload                                                                  | Low/Medium                        | <ul style="list-style-type: none"> <li>- More staff required</li> <li>- Additional costs re: equipment etc.</li> <li>- Added pressure</li> <li>- Performance deteriorates</li> </ul> | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Performance and Quality Manager</li> </ul>         | <ul style="list-style-type: none"> <li>- Monitor incoming work</li> <li>- Maintain a good relationship with Agency provider</li> <li>- More flexible working arrangements including home-working</li> <li>- Keep staff motivated</li> <li>- Monitor performance</li> </ul> |
| 3 | Revenues & Benefits | Failure to meet collection targets in respect of council tax & business rates       | Medium/High                       | <ul style="list-style-type: none"> <li>- Collection fund budget setting</li> </ul>                                                                                                   | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Collection and Customer Service Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Ensure a robust recovery strategy</li> </ul>                                                                                                                                                                                      |
| 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"> <li>- Loss of income to Council</li> </ul>                                                                                                        | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- Income Officer</li> </ul>                          | <ul style="list-style-type: none"> <li>- Ensure a robust recovery strategy</li> <li>- Liaise with customers as soon as there appears to be a problem</li> </ul>                                                                                                            |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service             | Potential Risk                                                                                                          | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                     | Responsibility for controls                                                                             | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                           |
|---|---------------------|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | Revenues & Benefits | Effectiveness of Business Continuity Plan                                                                               | Medium/High                       | <ul style="list-style-type: none"> <li>- Loss of staff</li> <li>- Loss of IT systems</li> <li>- Loss of accommodation</li> </ul>                                                                                                     | <ul style="list-style-type: none"> <li>- Revs and Bens Service Manager</li> <li>- IT Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Key staff able to operate from home</li> <li>- IT system backed up daily</li> <li>- Undertake IT Disaster Recovery mock-ups annually</li> </ul>                                                                                                                                                                            |
| 6 | Revenues & Benefits | Failure to recruit & retain staff                                                                                       | Medium/Medium                     | <ul style="list-style-type: none"> <li>- Unable to meet demands/targets</li> <li>- Service delivery deteriorates</li> <li>- Low morale</li> <li>- Added pressure</li> <li>- Increased sickness</li> <li>- Increased costs</li> </ul> | <ul style="list-style-type: none"> <li>- Revs and Bens Manager</li> </ul>                               | <ul style="list-style-type: none"> <li>- Managers to work closely with HR People Strategy</li> <li>- Workforce planning</li> </ul>                                                                                                                                                                                                                                  |
| 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><b>Financial:</b></p> <ul style="list-style-type: none"> <li>- More council tax to collect</li> <li>- Increased arrears</li> <li>- Collection fund pressures</li> <li>- Budget setting.</li> </ul>                                | <ul style="list-style-type: none"> <li>- Revs and Bens Manager</li> </ul>                               | <ul style="list-style-type: none"> <li>- Work with colleagues in other Local Authorities &amp; ESCC</li> <li>- Consult with residents</li> <li>- Make contact with affected persons</li> <li>- Participate in Anti Poverty &amp; Welfare Reform Working Group</li> <li>- Ensure residents are kept informed</li> <li>- Ensure a robust recovery schedule</li> </ul> |

## OPERATIONAL RISK REGISTER

September 2017

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

## OPERATIONAL RISK REGISTER

September 2017

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<br>- Experienced staff<br>- Chief Auditor review of work performed<br>- External peer review 2017/2018<br>- Risk Based Audit approach focusing on risk and agreed with auditee                                         |
| 2 | Investigations | Housing Benefit Fraud or Council Tax Benefit Fraud is not rigorously investigated                                                    | Medium/Medium                     | Reputation indirectly undermined<br><br>Council Tax overpayment does not get recovered and consequent adverse financial impact | - Chief Auditor             | - Monitoring of spreadsheet analysis from the DWP on referred cases<br>- Meetings with DWP if SLA is not being delivered.<br>- Successful counter fraud bid projects compensate<br>- 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.<br><br>- Difficulties legally 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.                                                                                      |

## OPERATIONAL RISK REGISTER

September 2017

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, uncertain direction of travel, organisational resistance to change | Low / High                        | <ul style="list-style-type: none"> <li>- Poorly planned resource allocation</li> <li>- HBC not responsive to emerging issues</li> </ul>                                                                                                  | - Directors                                            | <ul style="list-style-type: none"> <li>- Transformation programme encouraging use of a range of tools to assist the organisation better plan, do and review.</li> <li>- PIER programme to identify resources at time priorities are agreed</li> <li>- Staff involvement and engagement processes</li> <li>- Service review programme examining services in detail and assessing customer focus and efficiency (Business process mapping completion and review)</li> <li>-</li> </ul> |
| 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"> <li>- Legal – Decisions made are open to challenge.</li> <li>- Reputational – High risk of negative media and public profile.</li> <li>- Financial – costs of legal challenges.</li> <li>-</li> </ul> | - Continuous Improvement & Democratic Services Manager | <ul style="list-style-type: none"> <li>- Revised arrangements for Forward Plan creation have been implemented which ensure that responsibility is shared with service departments and is implemented via Modern Gov.</li> <li>- Modern Gov system automated process for assisting with report publication rolled out.</li> </ul>                                                                                                                                                     |
| 3 | Continuous Improvement & Democratic Services | Freedom of Information Act <ul style="list-style-type: none"> <li>- response targets not met</li> </ul>                                     | Low/Medium                        | <ul style="list-style-type: none"> <li>- Complaint to Information Commissioner</li> <li>- Opportunity cost impact</li> </ul>                                                                                                             | - Continuous Improvement & Democratic Services Manager | <ul style="list-style-type: none"> <li>- Firmstep software being implemented to co-ordinate FOI responses</li> <li>- Common requests available online to encourage avoidable contact.</li> <li>- Regular reviews of breadth of information made</li> </ul>                                                                                                                                                                                                                           |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service                                      | Potential Risk                             | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                         | Responsibility for controls                                                       | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                        |
|---|----------------------------------------------|--------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                              | - impact on staff time/capacity to respond |                                   | on service delivery                                                                                                      |                                                                                   | available to identify if there are further areas that can reduce FOI request<br>-                                                                                                                                                                                                                |
| 4 | Continuous Improvement & Democratic Services | Corporate complaints timescales not met    | Low/High                          | - Reputational impact/potential legal action/lack of confidence<br>- Finding against HBC from Local Government Ombudsman | - Continuous Improvement & Democratic Services Manager<br><br>Chief Legal Officer | - Revised corporate complaints monitoring system to be implemented via Firmstep enabling more efficient evidence collection, coordination and dissemination of associated tasks and capacity for analysis and online service provision..<br><br>- CMG to oversee learning from complaints/trends |

## OPERATIONAL RISK REGISTER

September 2017

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<br>Failure to follow correct legal procedures in enforcement processes.                                         | Low / *<br>High<br><br>(* Depends on level of court) | <ul style="list-style-type: none"> <li>- Reputational</li> <li>- failure to deliver on priorities</li> <li>- Financial – Vulnerability to costs orders against the Council</li> <li>- Not being in a position to defend actions brought against the Council.</li> </ul> | - Chief Legal Officer       | <ul style="list-style-type: none"> <li>- Legal compliance – professionally trained staff subject to CPD, training, library and on-line research tools</li> <li>- Capacity built within the team for cover for short term absences</li> <li>- East Sussex Solicitors and Secretaries (ESSAS) (when available) and shared learning groups</li> <li>- Agency arrangements in place with other Las if required</li> </ul> |
| 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                                        | <ul style="list-style-type: none"> <li>- Failure to deliver on Priorities (reputational and financial)</li> <li>- Financial – legal challenge and costs of that</li> </ul>                                                                                              | - Chief Legal Officer       | <ul style="list-style-type: none"> <li>- Professional legal advice time/capacity built into project development and forward planning processes</li> <li>- Training, advice and support for staff and members</li> <li>- Legal advice available to Member decision-making meetings</li> <li>- Regular monitoring and review if necessary of constitution.</li> </ul>                                                   |

## OPERATIONAL RISK REGISTER

September 2017

|   | 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:<br>instructions<br>- lack of full, precise and timely instructions from client departments<br><br>Failure to follow procurement rules | Medium / High                     | - Reputational<br>- Time pressures on funding<br>- Financial – failure to achieve best value for authority<br>- Financial – legal challenge from unsuccessful tenderers | - Chief Legal Officer                                     | - Professionally qualified staff providing advice on what is required<br>- Contribution to training of client officers<br><br>- Regular updating training on procurement rules.<br>- Attendance at ESSAS Contracts Group<br>- 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<br>- Reputational – Risk of failure to deliver<br>- Undue pressures on Service                                    | - Chief Legal Officer                                     | - Back up through East Sussex Solicitors and Secretaries (ESSAS) standard fee agreement and Sussex Consortium Framework Agreement<br>- High profile matters – identified for outsourcing at an early stage of instruction.<br>- Resilience built within the team<br>- Use of locum staff where absence is prolonged.<br>- 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                                                                                      | - Electoral Registration Officer<br>- Chief Legal Officer | - Professionally qualified and trained staff with regular skills and knowledge updates.<br>- High quality software package in place.<br>- Contracts in place with printers and software suppliers.<br>- Good networks for support and advice                                                                                                                     |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service            | Potential Risk                                                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                     | Responsibility for controls                                                      | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---|--------------------|-------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                    |                                                                                     |                                   | the election result.<br>- Financial – costs of legal challenge and re-running elections.<br>- 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.<br><br>-. | Low / High                        | - Legal – residents disenfranchised and not able to vote leading to a challenge to the election result.<br>- Financial – costs of legal challenge and re-running elections.<br>- Reputational:       | - Electoral Registration Officer<br>- Returning Officer<br>- Chief Legal Officer | - Professionally qualified and trained staff with regular skills and knowledge updates.<br>- Project Plan for each election in place with a Project Group, also an Elections Committee chaired by the Returning Officer.<br>- East Sussex wide Electoral Services Network available for support and advice and a good working relationship with the Electoral Commission has been established.<br>- Returning Officer and Deputies undertake training.<br>- Greater resilience achieved within wider Corporate Services team |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service            | Potential Risk                                                                     | Risk Rating (Likelihood / Impact) | Potential Impact                               | Responsibility for controls                               | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                 |
|---|--------------------|------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                    |                                                                                    |                                   | mistrust by residents                          |                                                           |                                                                                                                                                                                                                                                                                                                                                                           |
| 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<br>- Chief Legal Officer | <ul style="list-style-type: none"> <li>- Resilience is provided across Directorate teams to assist with election duties</li> <li>- Project planning and procedure notes production in place</li> <li>- 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.</li> </ul> |

## OPERATIONAL RISK REGISTER

September 2017

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"> <li>- Over payments</li> <li>- Staff not paid</li> <li>- NI / Tax not paid – surcharged</li> <li>- Services may have to close</li> <li>- Employment tribunal claims</li> <li>- Industrial action</li> </ul>                                                                                                                                                                         | Executive Manager (EM) People, Customer and Business Support | <ul style="list-style-type: none"> <li>- Business Continuity Plan in place with software supplier</li> <li>- Managers and team trained on payroll process. Manual option as contingency.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                    |
| 2 | People Support | Lack of effective organisational development and change           | Low / Medium                      | <ul style="list-style-type: none"> <li>- Staff unable to deliver services due to lack of skills and knowledge</li> <li>- Organisation stagnates</li> <li>- No new initiatives / developments undertaken</li> <li>- Unable to manage more with less</li> <li>- Unable to deliver government / local leadership agenda</li> <li>- Loss of key staff</li> <li>- Increased sickness</li> <li>- Disengaged staff</li> </ul> | EM People, Customer and Business Support                     | <ul style="list-style-type: none"> <li>- 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.</li> <li>- Work packages for 16/17 include Workforce Development Planning, Job evaluation review, cultural change, a specific emphasis on succession planning, and an all-staff skills audit</li> <li>- Project outcomes will help anticipate resources required for the future and will inform recruitment and retention.</li> </ul> |
| 3 | People Support | Loss of key staff within the people and business support service: | Medium / High                     | <ul style="list-style-type: none"> <li>- Support for managers / organisation reduced</li> </ul>                                                                                                                                                                                                                                                                                                                        | - EM People, Customer and Business                           | <ul style="list-style-type: none"> <li>- Senior HR working alongside service managers and developing workforce plan to meet future</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                          |

## OPERATIONAL RISK REGISTER

September 2017

|    | 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"> <li>- Turnover</li> <li>- Redundancy/retirement</li> <li>- Re-structure</li> </ul> <p>(failure to take a strategic approach to workforce planning puts key services at risk)</p> |                                   | <ul style="list-style-type: none"> <li>- Processes not followed increase in claims via E.T.</li> <li>- Loss of knowledge</li> <li>- Reduced services</li> <li>- Increased complaints</li> <li>- Increased sickness</li> <li>- Staff over loaded</li> <li>- Reputation of HBC undermined</li> </ul> | Support                                    | <ul style="list-style-type: none"> <li>organisational/service needs.</li> <li>- Workforce plan prepared.</li> <li>- HR briefings on HR policies / procedures, employment legislation</li> <li>- Sickness absence – refresher training for managers – focus on handling short term absences.</li> <li>- Managers Training e- learning/ coaching package (pilot to be rolled out September)</li> </ul> |
| 4  | People Support   | Non-compliance with employment legislation Corporately                                                                                                                                                              | Medium / Medium                   | - Increased number of tribunal claims – costs against the Council                                                                                                                                                                                                                                  | - EM People, Customer and Business Support | <ul style="list-style-type: none"> <li>- HR briefings (see above)</li> <li>- Ensure policies and procedures adhered to – including timelines</li> <li>- Provide support to managers</li> <li>- Inform finance as early as possible</li> <li>- Use experienced HR advisor (qualified)</li> <li>- Early contact with relevant managers</li> </ul>                                                      |
| 5. | People Support   | Poor industrial employee relations                                                                                                                                                                                  | Low/High                          | - Impact on service delivery.                                                                                                                                                                                                                                                                      | - EM People, Customer and Business Support | - Maintain 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 including potential                                                                                                                                                    | Low/Low                           | - Legal action/Loss of reputation/ confidence                                                                                                                                                                                                                                                      | - EM People, Customer and Business         | <ul style="list-style-type: none"> <li>- Perform security reviews to test security arrangements</li> <li>- Undertake risk assessments as and</li> </ul>                                                                                                                                                                                                                                              |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service           | Potential Risk                                                                                                                                      | Risk Rating (Likelihood / Impact) | Potential Impact              | Responsibility for controls                | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                |
|---|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                   | contentious public meetings – asset or data loss                                                                                                    |                                   |                               | Support                                    | when required<br>- Test alarms<br>- Issue instructions on staff ID cards/ staff lanyards (grey)– mandatory<br>- ensure visitors visibility improved through the use of named/coloured lanyards<br>- staff encouraged to challenge individuals not displaying ID's and accompany them to Business Support to be issued with temporary ID (if appropriate) |
| 7 | Business Support  | Equipment breakdown (printers, water coolers etc)                                                                                                   | Low/Low                           | - Unable to use equipment     | - EM People, Customer and Business Support | - Effective and efficient call-out arrangements<br>- Business Support team continue to work with our suppliers to ensure when call outs requested they are responded to in a timely manner.<br>- Regular building checks made<br>- -facilities management group meeting held fortnightly to review issues.                                               |
| 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                          | - Potential injury to persons | - EM People, Customer and Business Support | - Health & Safety Audits<br>- Identity cards/lanyards issued to staff with a requirement to be worn.<br>- Building checks undertaken by Business Support in conjunction with Health and Safety adviser.                                                                                                                                                  |
| 9 | Community Contact | Poor quality service provision at the first point of call                                                                                           | Low / Medium                      | - Reputation undermined       | - CMG<br>- EM People,                      | - Good communications with service departments to plan for peaks in                                                                                                                                                                                                                                                                                      |

## OPERATIONAL RISK REGISTER

September 2017

|    | Service                  | Potential Risk                                                             | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                   | Responsibility for controls                                                                                                                 | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----|--------------------------|----------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Centre                   | resulting in delays, poor advice and/or an increase in customer complaints |                                   | <ul style="list-style-type: none"> <li>- Impact on service delivery</li> <li>- Financial Implications</li> <li>- Additional contacts to rectify advice/information given.</li> </ul>                                               | <ul style="list-style-type: none"> <li>- Customer and Business Support</li> <li>- Corporate Customer Services Manager</li> </ul>            | <ul style="list-style-type: none"> <li>- service demand</li> <li>- Rolling training programme to refresh knowledge</li> <li>- Service reviews rolling programme to review processes and customer service issues</li> <li>- Customer satisfaction surveys undertaken</li> <li>- Greater use of technology to address issues of unavoidable contact and reduce face to face contact at first point.</li> <li>- 'Queue busting' processes initiated to limit waiting times of some customers</li> <li>- Performance management processes in place</li> </ul> |
| 10 | Community Contact Centre | Risk of serious abusive, aggressive or violent behaviour towards staff     | Medium/High                       | <ul style="list-style-type: none"> <li>- Increase in stress levels experienced by staff and related illness absence</li> <li>- Potential legal claims</li> <li>- Physical harm/injury</li> <li>- Financial Implications</li> </ul> | <ul style="list-style-type: none"> <li>- EM People, Customer and Business Support</li> <li>- Corporate Customer Services Manager</li> </ul> | <ul style="list-style-type: none"> <li>- Regular H&amp;S training and refresher</li> <li>- Security arrangements enhanced</li> <li>- Lone worker training</li> <li>- Conflict training for all staff</li> <li>- Options to interview in secure rooms</li> <li>- Panic buttons</li> <li>- Appropriate use of alert scheme</li> <li>- Manager supervision and support</li> </ul>                                                                                                                                                                            |
| 11 | Community Contact Centre | Cash handling and risk of theft by public or staff.                        | Low/High                          | <ul style="list-style-type: none"> <li>- Financial Implications</li> </ul>                                                                                                                                                         | <ul style="list-style-type: none"> <li>- EM People, Customer and Business Support</li> </ul>                                                | <ul style="list-style-type: none"> <li>- Cash theft prevention systems in place</li> <li>- Effective monitoring and auditing</li> <li>- Use of CCTV systems as evidence and protection for staff.</li> </ul>                                                                                                                                                                                                                                                                                                                                              |

## OPERATIONAL RISK REGISTER

September 2017

|    | Service                  | Potential Risk        | Risk Rating (Likelihood / Impact) | Potential Impact                                      | Responsibility for controls                                                         | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                    |
|----|--------------------------|-----------------------|-----------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                          |                       |                                   |                                                       | - Corporate Customer Services Manager                                               | - Insurance                                                                                                                                                                                                                                                                                  |
| 12 | Community Contact Centre | Total systems failure | Low/High                          | - Reputation undermined<br>- Customer dissatisfaction | - EM People, Customer and Business Support<br>- Corporate Customer Services Manager | - Business Continuity Plan - Linked to IT recovery plan<br>- Firmstep software is hosted on industry leading platform with stringent contractual SLA to recover service.<br>- Manual processes implemented<br>- Phone system alternative – use at Aquila House albeit with reduced capacity. |

## OPERATIONAL RISK REGISTER

September 2017

### Corporate Services and Governance

Service: IT

|   | Service | Potential Risk          | Risk Rating<br>(Likelihood<br>/ Impact) | Potential<br>Impact                                                 | Responsibility<br>for controls | Steps to mitigate risk, time frame for implementation and<br>latest position                                                                                                                                                                                  |
|---|---------|-------------------------|-----------------------------------------|---------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | IT      | Failure of IT equipment | Low / High                              | - Very serious impact in short term for all services<br>Medium/High | 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 |

## OPERATIONAL RISK REGISTER

September 2017

Operational Services Directorate

Service: **ENVIRONMENT and PLACE**

| Service Area                                           | Potential Risk                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Risk Rating<br>(Likelihood /<br>Impact)                               | Potential Impact                                                       | Responsibility for<br>controls                                                                                                 | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                    |
|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environment and Place Service - General<br><br>Page 90 | <p>Loss of corporate IT hardware due to fire, flooding, power outage etc.</p> <p>This applies across the service e.g. Northgate M3 database is an important part of work allocation (when inspections are due, which licences need to be renewed etc). Handhelds are linked to the Parking database (PCNs could not be issued). Waste service is linked to Kierway (Kier Contractor's online database).</p> <p>Council does not have a set of duplicate hardware, alternative power source or contract for emergency power generators.</p> | <p>Short term:<br/>Low / Low</p> <p>Medium term:<br/>Low / Medium</p> | <p>Loss of access to data<br/>Interruption to service<br/>delivery</p> | <p>Assistant Director in relation to IT hardware used by his services and their Business Continuity Planning arrangements.</p> | <p>Laptops are now standard issue throughout these services rather than pcs. This gives a greater degree of resilience and flexibility. Therefore, in the event of an incident affecting Aquila House, once IT established new temporary servers etc. we could operate reasonably well from the back up on our various IT systems.</p> <p>Also, have basic Business Continuity Planning arrangements in place.</p> |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area    | Potential Risk                                                                                                  | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                        | Responsibility for<br>controls          | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                            |
|-----------------|-----------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Waste - General | Unable to collect waste or conduct street cleaning due to weather, problem with disposal route, staffing issue. | Low / High                              | Piles of rubbish on street<br>Health risks<br>Financial impact<br>Reputation undermined | Assistant Director /<br>Service Manager | 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.<br>Disposal Route Problems: Kier would deliver waste to another approved disposal site.<br>Staffing issues: In the event of staffing problems, Kier would look to employ agency staff and/or staff from other contract areas. |

## OPERATIONAL RISK REGISTER

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| Service Area    | Potential Risk                                                                                                                                                                                                    | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                                                                                                   | Responsibility for<br>controls       | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Waste - General | <p>Contractor costs increase to level threatening sustainability of contract.</p> <p>and/or</p> <p>Contractor performance deteriorates to level attracting defaults that threaten sustainability of contract.</p> | Low / High                              | <p>Potential need to engage alternative contractor or provide in-house service on an emergency short notice basis</p> <p>Need to procure new waste and cleansing contract</p> <p>Financial impact</p> <p>Reputation undermined</p> | Assistant Director / Service Manager | <p>The East Sussex Joint Waste Contract is managed through a combination of a central client team hosted by Rother District Council and the 4 local client teams. They routinely monitor the contractor from several perspectives, and the East Sussex Joint Waste Committee regularly receives performance reports from them, including risk assessment statements.</p> <p>The central and local client teams meet once a month to discuss performance and risks associated with the contract.</p> <p>In March 2017 the partnership and Kier agreed an early mutual termination of the contract for June 2019. Performance standards for the remainder of the term were agreed.</p> <p>A joint waste procurement exercise is underway for the next contract.</p> <p>Hastings Borough Council is developing plans for a new cleansing direct services organisation to potentially carry out street and beach cleaning and some associated services from June 2019.</p> |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                | Potential Risk                                                                                     | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                                                                                                                             | Responsibility for controls          | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                         |
|-----------------------------|----------------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Waste - Public Conveniences | Unable to clean public conveniences due to weather or staffing issues                              | Low / Low                            | Reputation undermined                                                                                                                                                                                                        | Assistant Director / Service Manager | Liability on contractor to ensure continuity of service. Worst-case scenario would result in toilets being closed during the period. Any closure due to adverse weather would have a limited impact, as there would also be a limited demand during such periods. |
| Waste – Contract            | General, Municipal and Boilermakers Trade Union led strike of local Kier waste and cleansing staff | Low / High                           | Strike action has impact on routine service provision. Potentially refuse/recycling and street cleansing would be impacted, resulting in uncollected refuse and recycling, poor accumulation of litter and waste in streets. | Assistant Director / Service Manager | Kier business continuity plan includes use of agency staff (however, routine use of agency staff has reduced significantly across the contract, which is also a strength).                                                                                        |
| Parking                     | Significant reduction in car parking income                                                        | Low / High                           | Financial loss for the Council<br>Unable to balance budget<br>Reputation undermined                                                                                                                                          | Assistant Director / Service Manager | Budget regularly monitored, including income generation. If income dropped dramatically, could reduce costs by decreasing staff. Income currently increased, potentially due to introduction of more flexible payment options such as Ringo.                      |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                                        | Potential Risk                                                                                                        | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                                                | Responsibility for<br>controls       | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                  |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Licensing                                           | Reduction of income generation from economic downturn                                                                 | Low / Low                               | Financial loss for Council<br>Unable to balance budget<br>Increased legal cost<br>Reputation undermined                                                                         | Assistant Director / Service Manager | Budget regularly monitored including income generation.<br>If income dropped dramatically could reduce costs by decreasing staffing. In fact, recession appears to be triggering more applications e.g. taxies.<br>Have introduced a new income stream from Highway licensing, which we now operate on behalf of the East Sussex County Council. |
| Environmental Health<br>Page 94                     | Failure of stray dog contract due to contractor going into administration. Or experience staffing/recruitment issues. | Low / Medium                            | Failure to meet statutory duty<br>Nowhere to put stray dogs<br>Impact on Police<br>Reputation undermined<br>Cost of providing an alternative service which is not budgeted for. | Assistant Director / Service Manager | The stray dog contract services which have now been jointly procured by Wealden, Rother and Hastings on several occasions, have operated well since 2008.                                                                                                                                                                                        |
| Environmental Health and Waste enforcement services | Legal challenge Appeals against enforcement action i.e. judicial review, ombudsmen review                             | Low / Medium                            | Staff time used<br>Financial implications<br>Reputation undermined                                                                                                              | Assistant Director / Service Manager | Work closely with Legal Team on prosecutions and enforcement cases to reduce risk of inappropriate action being pursued.<br>Routinely monitor rate of successful appeals against our enforcement action. Currently practically zero.                                                                                                             |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                                                                                                   | Potential Risk                                                                                                                                                                        | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                           | Responsibility for controls          | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental Health and Waste Enforcement services                                                            | Partnership working e.g. police, trading standards, environment agency, Health & Safety Executive, Primary Care Trust – partners withdraw or reduce commitment to projects or issues. | Medium / High                        | Unable to achieve objectives<br>Unable to meet some legal requirements i.e. timescales<br>Reputation of Council undermined | Assistant Director / Service Manager | Although all organisations we work with our experiencing some degree of budget pressure and capacity issues, our partnerships are adapting and still generally working well.                                                                                                                                                                                                                                                                                                  |
| Environmental Health and Licensing services                                                                    | Staff shortages due to retirement, staff leaving and not being replaced etc.                                                                                                          | Medium/Medium                        | Unable to deliver full service<br>Increase in complaints<br>Bad publicity locally                                          | Assistant Director / Service Manager | 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. We have carefully managed the deletion of posts and retirement of key staff. This has included periods of mentoring and handover of roles by outgoing staff to new staff or existing staff absorbing their work. For example waste manager and community safety manager posts in last 12 months. |
| Grounds Maintenance Joint Contract between Hastings Borough Council/Rother District Council/Optivo (Amenities) | Contract Specifications not being fulfilled.                                                                                                                                          | Low / Med                            | No grounds maintenance being undertaken.<br>Adverse impact on look and feel of town.                                       | Service Manager                      | Successful joint partnership procurement between Rother District Council/Hastings Borough Council/Optivo has resulted in one contractor with significant savings being realised. Partnership and monitoring structures are in place and being implemented and monitored.                                                                                                                                                                                                      |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                                                                   | Potential Risk                                                                                                                                                                                                                         | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact              | Responsibility for<br>controls | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                             |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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. Brexit jeopardises European Union funding                                                                 | Med /Med                                | Reputational risk to Council. | Service Manager                | <p>Project Board with elected members established and meeting regularly for strategic decision-making. Groundwork South acting as project managers, procurement through the Hub.</p> <p>The Council have successfully secured significant external grant funding from Heritage Lottery Fund and an European Union fund.</p> |
| 10 year Higher Level Stewardship Agreement at Hastings Country Park, 2013-2023 | Unable to meet conditions of agreement with Natural England<br>Public objection to annual works or projects.<br>Animal welfare concerns<br>Council funding reduced<br>Brexit and new funding mechanisms limit external funding element | Med/Med                                 | Reputational and legal risks  | Service Manager                | Inform of potential works well in advance. Keep Fairlight Parish Council informed. Retain the services of a stewardship advisor. Ensure the successor agreement is equally as favourable to manage the reserve                                                                                                              |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                                                                              | Potential Risk                                                                                                                                                                                                                                                                                                            | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                                          | Responsibility for controls                                                                                                                                 | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maintenance of play grounds and play areas                                                | Sites fall into disrepair as insufficient funding available for routine ongoing maintenance and periodic renewal of play equipment and site infrastructure. Decreasing play value of sites. Increased risk of health and safety hazards developing and accidents occurring. Increased risk of claims against the Council. | Med/Med                              | Reputational damage and legal/claims costs<br>Reduced scope for play within the borough                                                   | Assistant Directors for Environment and Place and Regeneration and Culture<br>Environment and Natural Resources Manager and the Leisure Development Manager | Cross-departmental officer working group established to carry out review of playgrounds to develop an action plan to address the issues to be considered by Members. Progress reported to Operational Services Departmental Management Team in January 2017, and then Corporate Management Team in August 2017. To be referred to Members for discussion and decision through the corporate budget setting process in Autumn 2017. |
| Electronic management and monitoring of assets and health and safety inspections in parks | Claims against the council due to inadequate record keeping<br>Inefficient recording of damage to parks structures                                                                                                                                                                                                        | Med/Med                              | Reputational damage and legal/claims costs<br>Inefficient working practices, inability to reduce costs associated with this service area. | Service Manager                                                                                                                                             | Investigate and review new hand held devices and software as part of the corporate digital transformation programme.                                                                                                                                                                                                                                                                                                               |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                | Potential Risk                                                                                                       | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                           | Responsibility for<br>controls          | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------|-----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cemetery and<br>Crematorium | Failure to provide cremation<br>service.<br>Reduction in capacity through<br>equipment failure or staff<br>shortage. | Low / High                              | Loss of income.<br>Health issue.<br>Reputation undermined. | Assistant Director /<br>Service Manager | Arrangement in place with<br>Eastbourne Crematorium to<br>undertake cremations in the event of<br>total loss of service. Cremators<br>regularly maintained and<br>maintenance contract in place.<br>Relief cremator operators trained to<br>provide sickness / absence cover<br>and enable shift working at peak<br>times of demand.<br>In 2011 new plant was installed and<br>operational and considered to be<br>more reliable with excellent<br>maintenance support services.<br>When new admin staff are employed<br>they are asked to agree to be trained<br>as standby cremator technicians to<br>increase resilience.<br>Due to staff changes in 2017 we<br>have more staff trained to support<br>cremations and are therefore more<br>resilient. |

**OPERATIONAL RISK REGISTER**  
September 2017

| Service Area     | Potential Risk                                                                                                                       | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                       | Responsibility for controls          | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Community Safety | Police restructuring and reduction in front line Policing                                                                            | Med / High                        | Increase in crime and fear of crime.                                                                                                   | Assistant Director / Service Manager | <p>Engage with Police to ensure resources are allocated to areas of greatest need.</p> <p>Employ a Community Safety Manager (post sustained).</p> <p>Take a lead role at multi agency Community Safety Hubs.</p> <p>Upgraded Hastings Borough Council Closed Circuit Television scheme.</p> <p>Sustain Hastings Borough Council funding for</p> <ul style="list-style-type: none"> <li>• supporting victims of domestic violence/hate crime.</li> <li>• Barwatch/Taxi Marshalls to better manage the evening economy.</li> </ul> <p>In June 2017 introduced Public Space Protection Orders in areas of highest impact, with enforcement initially through Police to address street community issues.</p> <p>Utilise other Anti-Social Behaviour powers like Community Protection Notices.</p> <p>Use Clinical Commissioning Group funding allocated to Hastings Borough Council to commission projects to support Domestic Violence victims/street community/reduce public place violence /sexual offences.</p> <p>Multi-agency task force approach to addressing town centre street community issues.</p> <p>HBC Wardens Services developed enforcement systems to address</p> |
|                  | Loss / reduction in partnership funding                                                                                              | Low / Med                         | <p>Reputational damage</p> <p>Increase in demand for Council resources.</p> <p>Increase in ASB and Street drinking in public areas</p> |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|                  | Continued escalation of anti-social behaviour and crime and disorder associated with the wider street community due to welfare cuts. | High/medium                       | <p>Reputational damage</p> <p>Negative impact on local economy/tourism</p>                                                             |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |



## OPERATIONAL RISK REGISTER

September 2017

| Service Area            | Potential Risk                                                                                                                                         | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                        | Responsibility for<br>controls                                                              | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Community Safety</p> | <p>A crime involving the serious harm or death of a visiting international language student</p> <p>Potential for increased hate crime post Brexit.</p> | <p>Low / High</p>                       | <p>Reputational damage at home and abroad</p> <p>Damage to the local economy and regeneration</p> <p>Increase in community tensions</p> | <p>Assistant Director / Service Manager (together with other community safety partners)</p> | <p>Supporting .Hastings Overseas Advisory Group promoting regular meetings with student leaders at key times to identify dangers and 'hot spots'.</p> <p>Investment in town-wide Closed Circuit Television and local monitoring.</p> <p>Funding a Hate Crime service to support victims.</p> <p>Match funding a Taxi Marshall Service</p> <p>Take a lead role on the Safer Hastings Partnership Board (SHP).</p> <p>Awareness of Sussex Police Operation Columbus.</p> <p>Encourage and support cohesive communities.</p> <p>Match funding evening economy community safety interventions.</p> <p>Reviewing crime trends, community tensions and incidents at Joint Action Group and weekly intelligence meeting..</p> <p>Effective management of licensed premises.</p> <p>Support voluntary organisations like Street Pastors.</p> <p>Support Police led safe student scheme.</p> <p>Multi-agency approach to monitoring and responding to hate crime.</p> |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                                                        | Potential Risk                                                 | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                                                     | Responsibility for<br>controls            | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;">Page 102</p> <p>Community Safety</p> | An act of terrorism                                            | Low / High                              | Reputation damage<br><br>Significant loss of life<br><br>Damage to the local economy and economic regeneration<br><br>Increase in community tensions | Assistant Director / Service Manager      | Participation at Prevent Board meetings.<br>Attendance at Prevent related Security Review meetings.<br>Compliance with requirements of Counter Terrorism and Securities Act 2015.<br>Local Prevent awareness training to front line staff.<br>Promoting Prevent awareness amongst local businesses.<br>Supporting Sussex Police in links with local Mosque.<br>Funding a locally monitored Closed Circuit Television scheme.<br>Safety Advisory Group also helps scrutinise event plans and Police review from terror perspective. |
| Bathing Water Quality                                               | Bathing water fails to meet new annual European Union standard | Med / High                              | Beach closes<br>Loss of tourism income<br>Reputational damage<br>Extensive operational precautions required.                                         | Assistant Directors Environment and Place | Council instigated and led multiagency task force approach to securing improved bathing water in run up to the start of the more stringent European Union standards. The project was successful and the measures introduced are being maintained. The executive board continues to keep an oversight of this area.                                                                                                                                                                                                                 |

## OPERATIONAL RISK REGISTER

September 2017

| Service Area                                                                            | Potential Risk                                                                                             | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                                                                             | Responsibility for<br>controls                                                 | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Flood Risk Management                                                                   | Impact of severe weather.<br>Loss of Government Funding                                                    | Med / Med                               | Loss of life<br>Loss of amenity<br>Financial impact                                                                          | Assistant Director /<br>and Service<br>Manager,<br>Regeneration and<br>Culture | Enhanced / cost effective revenue based maintenance programme to increase timeframe for replacement of flood defences. Alternate funding streams identified via Department for the Environment, Food and Rural Affairs and Environment Agency. Medium Term Plan used effectively and in close liaison with Environment Agency Flood Risk Management Team.<br>The Hastings Flood Plan was reviewed, updated and exercised in 2015/16. |
| Cliffs (Building Surveyors and Assistant Director of Corporate Services and Governance) | Risk of landslide, landslip, rock falls and other natural hazards on both coastal cliffs and those inland. | Low / High                              | Loss of life / serious injury<br>Damage to property<br>Loss of access / amenity<br>Financial impact<br>Reputation undermined | Assistant Director /<br>Service Manager                                        | Bi annual programme of inspection and remedial action.<br>Maintain existing controls in place (catch fences, signage, barriers)<br>Reporting system in place with other relevant stakeholders                                                                                                                                                                                                                                        |

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## OPERATIONAL RISK REGISTER

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| Service Area                                    | Potential Risk                                                                                                                                                                                                                              | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                          | Responsibility for<br>controls | Steps to mitigate risk, time frame<br>for implementation and latest<br>position                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|---------------------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Duty of care to<br>the Public<br>(All Services) | Negligence in inspecting and<br>maintaining assets<br><br>Trees failing / falling<br><br>Out of date policies<br><br>Failure to ensure fully trained<br>and competent staff<br><br>Loss of databases (plus<br>documents stored within them) | Med / Med                               | Injury<br><br>Claims<br><br>Financial impact<br><br>Reputation undermined | Assistant Director             | Risk assessments and periodic<br>system of inspection in place for all<br>park sites and buildings. Legionella,<br>fire and asbestos risk assessments<br>and controls in place. Regular<br>electrical inspections in place.<br>Programme of asset maintenance<br>work in place to maintain all assets.<br>Policies reviewed regularly.<br>Staff training needs assessed at<br>performance reviews, including<br>Health and Safety updates. Contracts<br>monitored with specific arrangements<br>for HandS reporting via monthly<br>meetings. |

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## OPERATIONAL RISK REGISTER

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### Operational Services Directorate

Service: **HOUSING**

|   | Service           | Potential Risk                                                                                                                                   | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                    | Responsibility for controls                   | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | All Housing       | Failure to meet key performance targets                                                                                                          | Medium /Medium                    | <ul style="list-style-type: none"> <li>• Increased costs</li> <li>• Reputation undermined</li> <li>• Legal challenge</li> <li>• Public impact</li> <li>• Inequality of public access</li> </ul>                     | Assistant Director HBE                        | <ul style="list-style-type: none"> <li>• Service monitoring through weekly team meetings</li> <li>• Quarterly review and reports of key indicators/targets through Performance Review meetings</li> <li>• Service reviews (Housing Services Review, Housing Strategy review , homelessness strategy revision, allocations review, revised renewal financial assistance and enforcement policies)</li> <li>• Consideration of contingency plans/budgets through management team meetings &amp; budget review meets.</li> <li>• Business continuity planning &amp; risk assessments</li> <li>• Alternative delivery models (e.g. Coastal Space initiative, Social Lettings agency, Licencing &amp; Compulsory Purchase Order programme)</li> </ul> |
| 2 | 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) | High / Medium                     | <ul style="list-style-type: none"> <li>• Increased Service demand</li> <li>• Additional legal duties increase workloads</li> <li>• Legal challenge</li> <li>• Reputation undermined</li> <li>• Increased</li> </ul> | Assistant Director HBE<br><br>Options Manager | <ul style="list-style-type: none"> <li>• Maintain/raise corporate awareness through Performance Review/ Scrutiny/Cabinet etc</li> <li>• Regular stakeholder engagement through strategic liaison meetings with main Social Landlords (Optivo) Housing and Support Service meetings &amp; Private Landlord forums.</li> <li>• Engagement with the Department for Works and Pensions and Universal Credit colleagues to raise operational barriers and find solutions.</li> <li>• New Housing and Homelessness Strategies were</li> </ul>                                                                                                                                                                                                          |

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|   | Service           | Potential Risk                            | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                  | Responsibility for controls                                                                | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---|-------------------|-------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                   | levels                                    |                                   | expenditure <ul style="list-style-type: none"> <li>Quality of service</li> <li>Public health &amp; wellbeing</li> </ul>                                                                           |                                                                                            | introduced, summer 2016 <ul style="list-style-type: none"> <li>Policy reviews of Allocations during 2017/18</li> <li>Impact &amp; risk assessments</li> <li>Improvements in cross team /service cooperation (e.g. Housing /Housing Benefit team action Plan)</li> <li>Annual update of anti-poverty strategy &amp; action plan</li> </ul>                                                                                                                                                      |
| 3 | Housing (Renewal) | Failure to meet housing licensing targets | Med/Med                           | <ul style="list-style-type: none"> <li>Reputation undermined</li> <li>Unmet targets</li> <li>Impact upon staffing</li> <li>Impact upon public health/wellbeing</li> <li>Financial cost</li> </ul> | Assistant Director HBE<br><br>Renewal Manager                                              | <ul style="list-style-type: none"> <li>Delivery Team produced action plan in place to meet targets, encompassing existing and new targeted properties.</li> <li>Mid-term review and impact assessment and review scheduled to re-profile income levels.</li> </ul>                                                                                                                                                                                                                             |
| 4 | All Housing       | Failure to manage customer expectations   | Low / Medium                      | <ul style="list-style-type: none"> <li>Reputation undermined</li> <li>Disengagement &amp; demoralisation of staff</li> <li>Customers dissatisfaction</li> <li>Legal challenges</li> </ul>         | Assistant Director HBE and Planning Services<br><br>Renewal Manager<br><br>Options Manager | <ul style="list-style-type: none"> <li>Communication strategy to include training for local organisations, information sharing, myth busting, promoting awareness of early intervention to prevent homelessness, promoting Private Rented Sector accommodation</li> <li>Monitoring and review of statistics</li> <li>Involve / empower customers</li> <li>Regularly monitor customer satisfaction questionnaires, reporting at management meetings and take restorative steps where</li> </ul> |

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|   | Service         | Potential Risk                                                                                 | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                    | Responsibility for controls                   | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                           |
|---|-----------------|------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                 |                                                                                                |                                   | <ul style="list-style-type: none"> <li>Adverse impact on partnership cost</li> </ul>                                                                                                                                                |                                               | necessary if issue identified.                                                                                                                                                                                                                                                                                                                                                                                      |
| 5 | All Housing     | Health and Safety                                                                              | Medium / High                     | <ul style="list-style-type: none"> <li>Accidents to staff resulting in time lost</li> <li>Enforcement action by Health &amp; Safety Executive against the Council</li> <li>Civil action by employees against the Council</li> </ul> | All Managers<br><br>Buildings Manager         | <ul style="list-style-type: none"> <li>Training and development programmes</li> <li>Risk Assessment</li> <li>Flexible working practices implemented and risk assessed</li> <li>Review of accidents and dangerous occurrences at Monthly Managers Meetings</li> <li>Regularly review at Team Meetings</li> </ul>                                                                                                     |
| 6 | All Housing     | Loss of key staff and members- Knowledge Management                                            | Medium / Medium                   | <ul style="list-style-type: none"> <li>Statutory targets not met</li> <li>Key priorities and projects not met</li> <li>Loss of skills and knowledge</li> </ul>                                                                      | All Managers<br>Assistant Director HBE        | <ul style="list-style-type: none"> <li>Housing Services Review undertaken &amp; new implementation plan in place</li> <li>Succession Planning</li> <li>documentation of systems, plans, procedures and projects</li> <li>Training and development programmes</li> <li>Induction programme</li> <li>Career Grade Structure in place</li> <li>Retention Policy in place</li> </ul>                                    |
| 7 | Housing Renewal | Failure to maintain delivery in the Housing Renewal Area- Coastal Space (based on the original | Low /High                         | <ul style="list-style-type: none"> <li>Targets not met</li> <li>Posts at risk</li> <li>Increased risk of homelessness</li> <li>Standards and management in the Private</li> </ul>                                                   | Assistant Director HBE<br><br>Renewal Manager | <ul style="list-style-type: none"> <li>Funding and/or support for other partners such as YMCA, Town team in place.</li> <li>Renewal Area status extended for 5 years.</li> <li>Project team and communication plan in place</li> <li>Strategic group oversee project</li> <li>Proactive Enforcement Programmes operational in the 7 streets</li> <li>Business continuity planning &amp; risk assessments</li> </ul> |

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|   | Service           | Potential Risk                                                                                   | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                              | Responsibility for controls                                        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---|-------------------|--------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                   | Neighbourhood Renewal)                                                                           |                                   | <ul style="list-style-type: none"> <li>• Rented Sector decline</li> <li>• Reputation undermined</li> <li>• Legal challenge</li> <li>• Poor housing stock</li> <li>• Impact on regeneration objectives and deprivation increases</li> <li>• Public health &amp; wellbeing</li> <li>• Key priorities and projects not met</li> <li>• Financial burden on the organisation</li> <li>•</li> </ul> |                                                                    | <ul style="list-style-type: none"> <li>• undertaken</li> <li>• Marketing &amp; Publicity exercises carried out</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| 8 | Housing (Options) | Failure to secure affordable housing solutions to prevent rising numbers of homeless households. | Med/Med                           | <ul style="list-style-type: none"> <li>• Rise in homeless applications</li> <li>• Increased levels of spending on B&amp;B</li> <li>• Increased levels of rough sleeping and associated ASB</li> <li>• Legal challenges</li> </ul>                                                                                                                                                             | Assistant Director HBE and Planning Services Housing Needs Manager | <ul style="list-style-type: none"> <li>• Internal audit of housing options services 2017/18</li> <li>• Recommendations of the Shelter service review completed and kept under review</li> <li>• Regular stakeholder engagement through strategic liaison meetings with main Social Landlords (Optivo) Housing and Support Service meetings, Private Landlord forums.</li> <li>• Allocations Policy review 2017/18</li> <li>• New Housing and Homelessness Strategies were introduced, summer 2016</li> <li>• The Housing and Wellbeing Hub reviewed quarterly with Clinical Commissioning Group and associated partners.</li> </ul> |

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|    | Service           | Potential Risk                                                                                                                           | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                            | Responsibility for controls                                        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----|-------------------|------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                   |                                                                                                                                          |                                   | <ul style="list-style-type: none"> <li>Reputation undermined</li> </ul>                                                                                                                                                                                                     |                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| 9  | Housing (Options) | The Social Lettings Agency unable to offer Landlords a new tenancy management service to replace the Private Sector Leasing (PSL) scheme | Med/Med                           | <ul style="list-style-type: none"> <li>Increased risk of homelessness</li> <li>Impact on regeneration objectives and deprivation increases</li> <li>Key Corporate priority not met</li> <li>Standards and management in the Private Rented Sector do not improve</li> </ul> | Assistant Director HBE and Planning Services Housing Needs Manager | <ul style="list-style-type: none"> <li>Research &amp; Financial feasibility study carried out</li> <li>End of year review submitted to Cabinet in July 2017 outlining the need for a scheme to replace the existing PSL scheme. Additional resources identified to explore viability of a tenancy management service to replace the PSL scheme and present a business case to submit for Cabinet in Autumn 2017</li> <li>Cross-departmental working group to be formed to support a business case to Cabinet for a replacement tenancy management scheme</li> <li>Weekly operational meetings in place to monitor performance against Corporate target: 50 units leased by yearend 2016/17.</li> <li>Risk assessment carried out and reported to Cabinet; updated in CAP June 2016 and reported to CMG</li> </ul> |
| 10 | Housing (Options) | Failure to meet commitment to resettle 100 vulnerable Syrians by 2020 as part of the Syrian Resettlement Programme (SRP).                | Med/Low                           | <ul style="list-style-type: none"> <li>Publicly stated commitment not met</li> <li>The needs of vulnerable people are not met</li> </ul>                                                                                                                                    | Assistant Director HBE and Planning Services Housing Needs Manager | <ul style="list-style-type: none"> <li>East Sussex D&amp;Bs to continue funding dedicated SRP coordinator for East Sussex</li> <li>Consult and work in partnership with the South East Strategic Partnership for Migration</li> <li>Project Plan and risk register to be kept under review</li> <li>Project Plan oversight from the East Sussex Housing Officer Group (ESHOG)</li> <li>ESHOG led review of operations to be undertaken during Q4 2016/17</li> </ul>                                                                                                                                                                                                                                                                                                                                               |

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|    | Service         | Potential Risk                                                                                                                                                                                   | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                  | Responsibility for controls                                           | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11 | Housing Renewal | Delivery of European Funded Projects – Climate Active Neighbourhoods and Sustainable Housing in Inclusive neighbourhoods.                                                                        | Med/Low                           | <ul style="list-style-type: none"> <li>• Change in Euro exchange rate will effect need to match fund</li> <li>• Publically stated commitment to project not met</li> <li>• Impact on regeneration objectives and deprivation increases</li> </ul> | Assistant Director HBE<br><br>Renewal Manager                         | <ul style="list-style-type: none"> <li>• Regular Steering Group Meetings</li> <li>• Project specific risk register maintained</li> <li>• Euro exchange rate monitored</li> <li>• Funding profile adjusted following every claim</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 12 | Housing Options | Council Budgets put at risk due to failure to secure payments for Bed & Breakfast (B&B) placements and SLA tenancies as a result of the introduction of Universal Credit to Hastings in December | High/Med                          | <ul style="list-style-type: none"> <li>• Reduced income from B&amp;B placements</li> <li>• Increased use of resources and officer time</li> </ul>                                                                                                 | Assistant Director HBE and Planning Services<br>Housing Needs Manager | <ul style="list-style-type: none"> <li>• Maintain/raise corporate awareness through Performance Review/ Scrutiny/Cabinet etc.</li> <li>• Member/Snr Officer support to lobby Government of the impact of the Universal Credit changes on Local Authority TA Budgets</li> <li>• Regular engagement with Housing Benefit and stakeholder partners to understand ongoing changes to Universal Credit</li> <li>• Weekly meetings with applicants in B&amp;B to check the status of Universal Credit applications online</li> <li>• Regular contact with other Universal Credit pilot areas to share knowledge and best practice</li> <li>• Internal HBC Operational Working Group created to oversee the impact of welfare reform on Council services: meeting twice monthly during 2016/17 &amp; 2017/18</li> <li>• Housing Needs Manager, AD and Chief Finance Officer to form group in summer 2017 to review</li> </ul> |

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|    | Service         | Potential Risk                                                                                                                                                                          | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                                                                                    | Responsibility for controls                                           | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|----|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                 | 2016                                                                                                                                                                                    |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                       | current challenges and barriers to maximising Universal Credit income from B&B and SLA                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 13 | Housing Options | The introduction of the Homelessness Reduction Bill as an Act (HRA) creates additional statutory duties for LAs, the implementation of which may not be adequately funded by Government | Med/High                          | <ul style="list-style-type: none"> <li>• Workloads increase significantly and ability to prevent homelessness is reduced</li> <li>• Reduced staff morale and increased workloads and levels of stress/sickness</li> <li>• Rise in homeless applications</li> <li>• Increased levels of spending on B&amp;B</li> <li>• Increased levels of rough sleeping and associated ASB</li> <li>• Legal challenges</li> <li>• Reputation undermined</li> </ul> | Assistant Director HBE and Planning Services<br>Housing Needs Manager | <ul style="list-style-type: none"> <li>• Additional resources secured via the Flexible Homelessness Support Grant (limited to 2017/18 &amp; 2018/19) to help meet potential increased demand and workload from introduction of HRA</li> <li>• Await Govt. announcement on 'New Burdens Funding' help meet the cost of introducing the HRA for 2017/18 &amp; 2018/19 before April 2018.</li> <li>• Continue to work with East Sussex D&amp;Bs to explore using external specialist advice to assist in designing new operational policies and procedures to meet HRA duties</li> <li>• Continue to work with Department for Communities and Local Government and the National Practitioner Service (NPS) to design service delivery which ensures we are HRA compliant</li> <li>• Maintain/raise corporate awareness through Performance Review/ Scrutiny/Cabinet etc.</li> <li>• Internal working group formed with operational team leaders, the Transformation team and current software providers to monitor the impact of the Act and assess the detail of the changes and the impact of it on the service</li> <li>• Attend East Sussex Housing Officers Group (ESHOG) sub-group meeting to understand implications of the Act and develop a coordinated approach to managing its impact on services</li> <li>• Monitor staff morale through 121s and consultation with POD</li> </ul> |
| 14 | Housing         | Delivery of the                                                                                                                                                                         | Med/Low                           | <ul style="list-style-type: none"> <li>• Publically</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                      | Assistant                                                             | <ul style="list-style-type: none"> <li>• Regular Project Board meetings with operational</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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|    | Service         | Potential Risk                                                                                | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                      | Responsibility for controls                                             | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                              |
|----|-----------------|-----------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | Options         | Clinical Commissioning Group (CCG) funded Housing and Wellbeing Hub Project                   |                                   | stated commitment to project not met <ul style="list-style-type: none"> <li>• Rough sleeping and associated street activities increases</li> <li>• Failure to improve the health outcomes and housing outcomes for rough sleepers and the street community</li> </ul> | Director HBE and Planning Services Housing Needs Manager                | Hub members and the CCG <ul style="list-style-type: none"> <li>• Quarterly returns and reports produced for CCG Board</li> <li>• Project risk register maintained</li> </ul>                                                                                                                                                                                                                                                                                           |
| 15 | Housing Options | Delivery as lead partner of Sussex-wide Rough Sleeper Prevention Project, funded by the DCLG. | Low/Med                           | <ul style="list-style-type: none"> <li>• Publically stated commitment to project not met</li> <li>• Failure to meet project outputs against payments from the DCLG</li> </ul>                                                                                         | ESHO Assistant Director HBE and Planning Services Housing Needs Manager | <ul style="list-style-type: none"> <li>• Project Core Group to meet monthly and monitor project outputs against target</li> <li>• Project Core Group to keep DCLG updated of project progress including project risks</li> <li>• Work with Legal and Finance colleagues to produce an MoFU between partners to ensure payments made by HBC to partners are done so against outputs being achieved</li> <li>• Budget review meetings with Finance colleagues</li> </ul> |

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Service: **PLANNING AND DEVELOPMENT**

|   | Service                | Potential Risk                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                             | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|---|------------------------|-------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Development Management | Error in making a Planning Decision | Medium/Medium                     | <ul style="list-style-type: none"> <li>- Financial implications – judicial review, legal cost &amp; compensation</li> <li>- Reputation undermined</li> </ul> | 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. A review of the service identified a shortfall in planning staff. Positions have been created to address this shortfall however staff appointed have no relevant experience or training in planning. Furthermore, staff vacancies and absences continue to increase the likelihood of errors</p> |
| 2 | Development Management | Lose Planning Appeal decision       | Low/Medium                        | <ul style="list-style-type: none"> <li>- Reputation undermined</li> <li>- If costs awarded maybe financial implications</li> </ul>                           | 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> <p>The quality of decisions to some extent rests on</p>                                                                                                                                                                                                                                                                |

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|   | Service      | Potential Risk                                                                                                                                                                                                                                                                                           | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                                                          | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |              |                                                                                                                                                                                                                                                                                                          |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                           |                             | the capacity of each planning officer to spend the right amount of time on each application in order to strengthen arguments and write well justified reports. As noted in the above section additional planning officers are suggested in order to allow this. Positions have been created to address this shortfall however staff appointed have no relevant experience or training in planning. Furthermore, staff vacancies and absences continue to increase the likelihood of errors                                                                                                                                                                                                                                                                                                                      |
| 3 | Conservation | <p>Error in managing &amp; processing Conservation Grant schemes</p> <p>Merging of grant officer and conservation officer roles. Conservation officer role is 2.25 days a week. This is not sufficient to be able to make timely comments in respect of applications or to allow time to assist with</p> | Low/Medium                        | <ul style="list-style-type: none"> <li>- Financial implications</li> <li>- Reputation undermined</li> <li>- Delay in providing decisions within timeframe. Refund of application fees</li> </ul> <p>This will and has led to complaints and affects the speed with which decisions are made. Time delays in decisions could ultimately affect our ability to meet council targets and at worst could mean designation</p> | Principal Planning Officer  | <p>It is suggested in respect of the Development Management side of the role that the money arising from increased planning application fees, ring fenced to planning (DM) could be spent on an additional part time conservation officer. This would address concerns in respect of delays/ complaints/designation.</p> <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 dependent 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</p> |

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|   | Service                                       | Potential Risk                               | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                             | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---|-----------------------------------------------|----------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                               | council projects.                            |                                   |                                                                                                                                                                              |                             | <p>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>                                                                                                                                                                                                            |
| 4 | Development Management and Local Land Charges | Financial management – mislay incoming money | Low / Medium                      | <ul style="list-style-type: none"> <li>- Financial implications</li> <li>- Pressure on resources trying to rectify situation</li> <li>- Reputation undermined</li> </ul>     | Section Manger              | There is a corporate procedure to record incoming payments. This procedure has been regularly audited.                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 5 | Development Management                        | Incorrect information comes from call centre | Low / Medium                      | <ul style="list-style-type: none"> <li>- Impact on service delivery</li> <li>- Resources wasted</li> <li>- Reputation undermined</li> <li>- Possible compensation</li> </ul> | Section Manager             | A detailed searchable 'frequently asked questions' database has been created and uploaded onto the web site. Both should provide access to accurate information. 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 |

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|   | Service                                                        | Potential Risk                          | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                           | Responsibility for controls                 | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---|----------------------------------------------------------------|-----------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                                                |                                         |                                   |                                                                                                                                                                                                                                                                                                            |                                             | <p>sessions.</p> <p>Training for contact centre staff to took place in October 2016, further training took place in April 2017 and more training will be Nov 2017.</p> <p>Finally, the triage, for which work in underway, is hoped to be completed before the end of 2017. This will allow a much easier way for the contact centre to manage incoming calls without reference to the planning officers. It will also enable the contact centre to ask the correct questions and obtain the correct information</p>                                                                   |
| 6 | Development Management, Local Land Charges and Planning Policy | Lack of staffing / financial resilience | Medium/Medium                     | <p>- Inability to do the work</p> <p>- Unacceptable deficit</p> <p>Increased likelihood of errors leading to Judicial reviews/complaints/lost appeals and cost to authority</p> <p>Possible designation if speed of decisions is below government targets.</p> <p>Loss of Income to Local Land Charges</p> | Assistant Director HBE and Section Managers | <p>Procedures have been reviewed to ensure maximum efficiency.</p> <p>Development Management – planning officers:</p> <p>Workloads to be monitored and reviewed In the event of significant under capacity.</p> <p>Review of planning service (04/2016) identified that the service is two staff short of what it should be. Positions have been created to address this shortfall however staff appointed have no relevant experience or training in planning. Furthermore, staff vacancies and absences continue to increase the likelihood of errors</p> <p>Local Land Charges:</p> |

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|   | Service                                       | Potential Risk             | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                   | Responsibility for controls     | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---|-----------------------------------------------|----------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                               |                            |                                   |                                                                                                                                                                                                                                                                                                                                    |                                 | Cross trained staff across DM Admin team provides resilience to the Local Land Charges and planning application processes but this does put pressure on all admin staff. Search turn around times monitored to ensure that we do not exceed 10 working days as exceeding this would mean that we would not be competitive with the private sector search companies and may lose business to them as a result.                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| 7 | Development management and Local Land Charges | Loss of data / information | Low / High                        | <p>- Impact on service delivery</p> <p>- Financial implications</p> <p>In some cases, it has become clear that important plans and elevations have been removed from paper copies of applications.</p> <p>This had resulted in additional money paid to consultants/barristers to establish legal positions arising from this.</p> | 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 Aquila House. It is possible to recreate some of these records from the original sources if the current set were lost, although this would be extremely 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</p> |

## OPERATIONAL RISK REGISTER

September 2017

|   | Service                                                        | Potential Risk                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                  | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                |
|---|----------------------------------------------------------------|-----------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   |                                                                |                                                     |                                   |                                                                                                                                                                                   |                             | <p>documents are scanned.</p> <p>There is a need to ensure that staff are present when planning archive folders are viewed. At present admin officers are required to remain with visitors when viewing paper applications to overcome this issue.</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> |
| 8 | Development Management, Local Land Charges and Planning Policy | Injury of staff on site and in the work environment | Low / High                        | <ul style="list-style-type: none"> <li>- Potential litigation</li> <li>- Financial implications</li> <li>- Impact on service delivery</li> <li>- Reputation undermined</li> </ul> | 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 report their whereabouts.</p> <p>Six monthly corporate health and safety reviews are undertaken, appropriate adjustments are made and these matters are documented.</p>                          |

## OPERATIONAL RISK REGISTER

September 2017

|    | Service                                                                        | Potential Risk                                                                | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                        | Responsibility for controls | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9  | Development Management and Local Land Charges                                  | Loss of income due to changes in legislation and economy                      | Medium/High                       | <ul style="list-style-type: none"> <li>- Financial implications</li> <li>- Pressure on resources trying to rectify situation</li> </ul>                                 | Assistant Director HBE      | 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.                                                                                                                                                                                                                                                                                  |
| 11 | Building Control delivered by the Rother and Hastings Building Control Service | Failure to deliver service                                                    | Low/High                          | <ul style="list-style-type: none"> <li>- Impact on service delivery</li> <li>- Financial implications</li> <li>- Health and safety impact – unsafe buildings</li> </ul> | Assistant Director HBE      | Under the Partnership between Rother DC and HBC to deliver the Building Control Service there is a contract which defines the procedures to change arrangements if required. The service performance will be monitored through agreed Performance Indicators contained in the Contract                                                                                                                                                                                                                                               |
| 12 | Local Land Charges                                                             | Possibility of parts or all of the service being transferred to Land Registry | Med/High                          | <ul style="list-style-type: none"> <li>- Financial Implications</li> <li>- Staffing Implications</li> </ul>                                                             | Section Manager             | <p>Monitor developments</p> <p>The transfer of the Local Land Charges Register function to Land Registry was given Royal Assent on 12<sup>th</sup> February 2015. Secondary legislation consultation is expected in spring 2016 with implementation expected to commence in 2017. It is likely that nationally this may take until 2022 before the exercise is complete.</p> <p>It is still very unclear how this will work and what financial and resourcing impacts that this will have on the service however it appears that</p> |

## OPERATIONAL RISK REGISTER

September 2017

|    | Service           | Potential Risk                                    | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                                                   | Responsibility for controls                | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----|-------------------|---------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    |                   |                                                   |                                   |                                                                                                                                                                                                                                                                                                                                                                                                                    |                                            | HBC will still be required to make the registrations into a national portal, but LLC1 payments would be made to Land Registry. The LGA along with Land Registry are currently looking at the New Burden issue surrounding this.                                                                                                                                                                                                                                                                                                     |
| 13 | Planning Services | Failure to maintain CPO Programme for Empty Homes | Low/High                          | <ul style="list-style-type: none"> <li>• Targets not met</li> <li>• Staff at risk</li> <li>• Number of empty homes increase</li> <li>• Funding at risk (new homes bonus)</li> <li>• Reputation undermined</li> <li>• Legal challenge</li> <li>• Poor housing stock</li> <li>• Impact on regeneration objectives</li> <li>• Public health &amp; wellbeing</li> <li>• Key priorities and projects not met</li> </ul> | Assistant Director HBE and Section manager | <p>A revised job description has been drafted and agreed within which key stages are required to be met such as an annual empty homes report drafted ready for March cabinet.</p> <ul style="list-style-type: none"> <li>• training and development programmes</li> <li>• effective management of scheme</li> <li>• systems and procedures in place and reviewed</li> <li>• project team and communication plan in place</li> <li>• proactive targeting of long term empty homes</li> <li>• revised Empty Homes Strategy</li> </ul> |

## OPERATIONAL RISK REGISTER

September 2017

### Regeneration and Culture

| Service                                        | Potential Risk                                                                                   | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                             | Responsibility for controls        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                  |
|------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Marketing & Major Projects                     | Major project fails                                                                              | Low / High                        | Impact upon town's regeneration; potential financial risk                                                                                    | Marketing & Major Projects Manager | Robust project management, including community/stakeholder/investor engagement, and controls in place to identify/mitigate foreseeable risks<br>Expand project management team/buy in additional resources                                                                                                 |
| Marketing & Major Projects                     | Seafood & Wine Festival and/or Fish Fairs unsuccessful                                           | Medium/Medium                     | - Reputation undermined<br>- Financial implications                                                                                          | Marketing & Major Projects Manager | - Regular officer and stakeholder meetings held<br>- Risk assessments undertaken in conjunction with professional colleagues and emergency services<br>- Increase level of investment in marketing and management                                                                                          |
| Marketing & Major projects                     | Reputational risk of a bad public relations (PR) story                                           | High / High                       | - Reputation undermined locally and nationally<br>- Resources used to deal with situation<br>- Staff morale declines<br>- Political fall-out | Marketing & Major Projects Manager | - Weekly PR meetings held at senior level<br>- Senior politicians and officers aware of impact of bad PR<br>- Immediate damage limitation for bad stories, PR officer on call 24/7<br>- Very difficult to prevent a journalist writing a 'bad' story if they want :- and the damage is done once published |
| Seafront Concrete Structures (Resort Services) | Extensive deterioration or collapse.                                                             | Low / High                        | Financial impact.<br>Danger to public safety.<br>Loss of amenity.<br>Reputation undermined.                                                  | Resort Manager                     | Annual concrete inspections in place with programme of minor repairs.<br>Explore options for longer term refurbishment and investment.<br>Increased investment in repairs programme.                                                                                                                       |
| Bathing Water Quality (Resort Services)        | Bathing water fails to meet new EU standards<br><br>Ownership and responsibility of Outfall Pipe | Med / High                        | Loss of tourism income<br>Reputational damage<br>Extensive operational coordination required.                                                | Asst Director E&P/ Resort Manager  | Continue working with partners to address known problems.<br>Capping/re-siting/lengthening of outfall pipe (Major investment)<br>Project continuing with EA and Southern Water focusing on:                                                                                                                |

## OPERATIONAL RISK REGISTER

September 2017

| Service                                           | Potential Risk                                                                                                       | Risk Rating (Likelihood / Impact) | Potential Impact                                                                   | Responsibility for controls                      | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                   |                                                                                                                      |                                   |                                                                                    |                                                  | Missed connections, sewer system faults, de-silting ponds, natural stream filtration and community engagement (Hastings Voluntary Action). Feasibility study will assess longer term protective options including long-sea outfall. Legal Services researching outfall pipe ownership issues.                                                                                                           |
| 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.                | Assistant Director Regen & Culture / Lead Member | Monthly review of activities, results and plans. Close liaison with theatre manager. Audience numbers rising. Agreed annual maintenance plan, which is monitored on an ongoing basis and reviewed at quarterly meetings with operator. Sound system has been replaced. Boilers currently under investigation and may need replacement. Capping/re-siting/lengthening of outfall pipe (Major investment) |
| Cliff Railways (Resort Services)                  | Mechanical failure.                                                                                                  | Low / Med                         | Financial impact. Danger to public safety. Loss of amenity. Reputation undermined. | Resort Manager                                   | Programme of inspections, testing and maintenance. Staff training and awareness. Local maintenance contract awarded                                                                                                                                                                                                                                                                                     |
| 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.   | 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. Upgrade building security and fire detection/prevention.                                                                                                                                 |
| Flood Risk Management & Coastal                   | Impact of severe weather. Failure of defences.                                                                       | Med / High                        | Loss of life<br>Loss of amenity<br>Financial impact                                | Resort Manager                                   | Enhanced / cost effective revenue based maintenance programme to increase time frame for replacement of flood defences. Alternate funding                                                                                                                                                                                                                                                               |

## OPERATIONAL RISK REGISTER

September 2017

| Service                                         | Potential Risk                                                                                             | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                               | Responsibility for controls                | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                               |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Protection(Resort Services)                     | Loss of Government Funding.                                                                                |                                   |                                                                                                                                                |                                            | streams identified via DEFRA and Environment Agency (EA). Medium Term Plan (MTP) used effectively and in close liaison with EA Flood Risk Management Team.<br>Funding for MTP secured<br>Hastings Multi Agency Flood Plan Implemented                                                   |
| 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<br>Damage to property<br>Loss of access / amenity<br>Financial impact<br>Reputation undermined                   | Assistant Director E&P/ Resort Manager     | Bi annual inspection programme and remedial action<br>Maintain existing controls in place (catch fences, signage, barriers)<br>Reporting system in place with other relevant stakeholders                                                                                               |
| Leisure Services externally funded projects     | Reduction of external funding.                                                                             | Med / Med                         | Reduction of services.<br>Reduction of externally funded posts.<br>Failure to meet Physical Activity Strategy targets and public expectations. | Leisure Development Manager / Leisure Team | We continue to submit external funding applications in order to sustain a range of leisure projects.                                                                                                                                                                                    |
|                                                 | Failure to deliver as per external funding contractual agreements.                                         | Low / High                        | Claw back of external funding.<br>Reputation undermined.<br>Legal action.<br>Overspend.                                                        | Leisure Development Manager / Leisure Team | Regular monitoring and evaluation of projects to ensure performance. Regular reports to principal funding partners as per funding agreements.<br>Regular liaison with funders.<br>Regular budget reviews inform spending.<br>Regular monitoring and evaluation of contractual delivery. |
|                                                 | Failure in duty of care to participants & staff.                                                           | Low / High                        | Impact on safety of individuals.<br>Legal action.<br>Reputation undermined.                                                                    | Leisure Development Manager / Leisure Team | Risk assessments and procedures are systematically reviewed.                                                                                                                                                                                                                            |

## OPERATIONAL RISK REGISTER

September 2017

| Service                                          | Potential Risk                                                                                                                                      | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                                                        | Responsibility for controls                                                         | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Leisure Management Contract with Freedom Leisure | Contract specification not fulfilled.                                                                                                               | Low/Med                           | Reduction in quality of service.<br>Potential impact of safety of participants/staff.<br>Reputation undermined                                                                          | Leisure Development Manager                                                         | Regular monitoring meetings, inspections and reports. Remedial actions, when necessary, agreed and followed up.<br>Increase monitoring activity                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Building cleaning contract with Ocean            | Contract specification not fulfilled.                                                                                                               | Low/Med                           | Reduction in quality of service.                                                                                                                                                        | Business Support                                                                    | Regular monitoring meetings, inspections and reports.<br>This responsibility now transferred to Business Support.<br>Increase monitoring activity                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Adventure Playground - Future Leisure Services)  | Failure to operate the Adventure Playground as per contractual requirements.                                                                        | Low / Med                         | Loss or reduction of service.<br>Failure to meet Play Strategy targets.<br>Failure to meet public expectations.<br>Reputation undermined.<br>Injuries and accidents to staff and public | Leisure Development Manager / Play Development Officer in partnership with In2Play. | Regular monitoring meetings with In2Play, includes a focus on the overall funding plan. Funding is in place for 2017-18.<br><br>Revised lease to be agreed<br><br>Increase monitoring activity                                                                                                                                                                                                                                                                                                                                                                           |
| Duty of care to the Public (All Services)        | Failures of child protection.<br>Negligence in maintaining assets.<br>Out of date policies.<br>Failure to ensure fully trained and competent staff. | Med / Med                         | Injury Claims<br>Financial impact<br>Reputation undermined                                                                                                                              | Assistant Director / Service Managers                                               | All staff who have unsupervised access to children and vulnerable adults have advanced DBS checks in place. Events/activities designed to minimise risk.<br>Risk assessments & periodic system of inspection in place for all park sites and buildings. Legionella, fire and asbestos risk assessments & controls in place.<br>Regular electrical inspections in place. Programme of asset maintenance work in place to maintain all assets.<br>Policies reviewed regularly.<br>Staff training needs assessed at performance reviews, including Health & Safety updates. |

## OPERATIONAL RISK REGISTER

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| Service                  | Potential Risk                                                                                                                                                                                            | Risk Rating<br>(Likelihood / Impact) | Potential Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Responsibility for controls                                                                  | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                          |                                                                                                                                                                                                           |                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                              | Contracts monitored with specific arrangements for H&S reporting via monthly meetings.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Regeneration and Culture | <p>Loss of EU funding programmes HBC is currently developing or pre signature due to BREXIT</p> <p>Loss of EU transnational programmes due to BREXIT and EU programmes no longer requiring UK partner</p> | High/High                            | <p>Loss of the following stage 2 funding applications:</p> <p>European Regional Development Fund/European Social Fund Community-Led Local Development (ERDF/ESF CLLD) – Programme Value £7.4M</p> <p>European Maritime and Fisheries Fund (EMFF) CLLD – Programme Value £800k</p> <p>Projects through 1<sup>st</sup> stage or approved awaiting signature</p> <p>Creative Industries Network (CIN) (Cross lep cultural programme)</p> <p>Other programmes in development/prior to signature with HBC as a partner</p> <p>DESTI-SMART</p> | Assistant Director Regen & Culture / External Funding Manager / Economic Development Manager | <p>Ongoing market intelligence gathering on managing authority advice regarding programmes.</p> <p>Development of a national Funding pipeline, aligning key priority areas to funding which is secure.</p> <p>Newsletter to stakeholders to confirm we are open for business as normal re opportunities (UK still in EU at the moment) and potential lobbying (via SELP etc.) re ensuring the impact of delays in decisions is understood.</p> <p>13<sup>th</sup> AUGUST 2016 TREASURY STATEMENT<br/>All programmes which are signed prior to autumn statement will be guaranteed by UK government for programme life.</p> <p>16/5/2017 Update from Marine Management Organisation (MMO) re EMFF<br/>All projects need to be committed by March 2017, and completed by Summer 2020</p> |

## OPERATIONAL RISK REGISTER

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| Service                  | Potential Risk                                                                                                                                                                       | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                   | Responsibility for controls                            | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Regeneration and Culture | Insufficient match funding for EU funded projects Sustainable Houses in an Inclusive Neighbourhood (SHINE) , Climate Active Neighbourhoods) CAN & Urban Project with Straw (UPSTRAW) | Low / Medium                      | Risk of inability to deliver agreed EU projects if the match from HBC is no longer available (staff match and cash match)          | Regeneration Manager (jointly with lead service areas) | Ongoing monitoring of cross-council activity and regular updates to CMG / CAP and Cabinet. Alternative match identified if/when a commitment is undeliverable.                                                                                                                                                                                                                                                                                                                             |
| Regeneration and Culture | Lack of investment in local business and/or relocation of businesses out of UK because of BREXIT                                                                                     | Medium/High                       | Loss of jobs<br>Closure of key businesses                                                                                          | Economic Development Manager                           | Kevin Boorman/Victoria Conheady (KB/VC) developing risk - register to monitor situation. Hopeful that markets will settle and Bank of England supports the economy for businesses.                                                                                                                                                                                                                                                                                                         |
| Regeneration and Culture | Downturn in EU visitor trips                                                                                                                                                         | Medium/Medium                     | Reduced tourism spend<br>Tourism business closures                                                                                 | Marketing and Major Projects Manager                   | KB reviewing visitor economy and will explore need for communication regarding visitor market once article 50 is evoked.                                                                                                                                                                                                                                                                                                                                                                   |
| Regeneration and Culture | Stretched/ insufficient staff capacity                                                                                                                                               | High / Medium                     | Failure to deliver corporate / contractual targets / unsound operational decision making / reputational and/or financial cost/loss | Assistant Director Regen & Culture                     | 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 projects (e.g. early CLLD development work. Use of external contractors will continue to be necessary. |
| Cultural Programme       | Failure to raise additional funds for 2017 programme.                                                                                                                                | Medium/High                       | Reduced impact, reputational damage                                                                                                | Cultural Regeneration Manager                          | Council's financial commitment will continue to be used as leverage in external funding bids. Cultural programme will be tailored to fit within available budget. Provision of officer support for                                                                                                                                                                                                                                                                                         |

## OPERATIONAL RISK REGISTER

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| Service                   | Potential Risk                                                                   | Risk Rating (Likelihood / Impact) | Potential Impact                                                                                                                                      | Responsibility for controls        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                                                                                                                                                                       |
|---------------------------|----------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                           |                                                                                  |                                   |                                                                                                                                                       |                                    | events/cultural activity organised by other bodies/groups<br>The Coasters Network, funded through Arts Council England Strategic Touring Fund runs until 2018 and will be augmenting programming budgets for Stade Saturdays and the St Leonards Festival.                                                                                                      |
| Cultural Programme        | Failure to build strong local support for cultural regeneration plans            | Low/Medium                        | Reputational damage<br>Reduced impact of cultural regen ambitions                                                                                     | Cultural Regeneration Manager      | Cultural Leaders Steering Group now well established and supportive of strategic approach to cultural regeneration. Maintenance of relationships with Arts Council and other influential organisations at a regional and national level.<br>The new Music City focus has wide support from the cultural sector who has taken the lead on moving things forward. |
| 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.                           | Cultural Regeneration Manager      | Regular communication between Cultural Regen and Marketing teams.                                                                                                                                                                                                                                                                                               |
| Cultural Programme        | Uncertainty over future of White Rock Theatre from Jan '19                       | Medium/High                       | Risk of building closure with high negative impact internally and externally.<br>Uncertainty over future will build up reputational damage over time. | Cultural Regeneration Manager      | Options Appraisal being carried out, reporting in Oct '17.<br>Meetings held with relevant community groups.<br>Close liaison with HQ Theatres.                                                                                                                                                                                                                  |
| External Funding activity | Over-commitment of Council resources on external funding opportunities           | High/High                         | Reputational damage<br>Financial costs                                                                                                                | Assistant Director Regen & Culture | Ongoing monitoring of cross-council activity and regular updates to CMG. CMG encouraged to review externally funded activity and commitments of staff/budget resources.                                                                                                                                                                                         |

## OPERATIONAL RISK REGISTER

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| Service                                                                                            | Potential Risk                                                                                                                        | Risk Rating (Likelihood / Impact) | Potential Impact                      | Responsibility for controls        | Steps to mitigate risk, time frame for implementation and latest position                                                                                                                                      |
|----------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Production of the Town Centre & White Rock Area Action Plan and other Local Plan related documents | Work demands that are not programmed e.g. Neighbourhood Plans                                                                         | High/High                         | Delay<br>Possible financial cost      | Assistant Director Regen & Culture | Review programmes for priority policy documents                                                                                                                                                                |
|                                                                                                    | Changes to Planning Policy and Guidance                                                                                               | Medium/High                       | Delay                                 |                                    | Reassess priorities through review of Local Development Strategy (LDS)                                                                                                                                         |
|                                                                                                    | Staff shortages e.g. unable to recruit, long term sick leave etc.                                                                     | Medium/High                       | Delay<br>Financial cost               |                                    | Subject to timing of absence, purchase expertise on short term basis via consultancy                                                                                                                           |
|                                                                                                    | Requisite expertise or capacity not available in-house                                                                                | Medium/Medium                     | Financial cost                        |                                    | Staff training/Continuing Professional Development (CPD)<br>Purchase expertise on short term basis<br>Sharing expertise with other LPAs<br>Secure administrative assistance<br>Review programme and priorities |
|                                                                                                    | Longer process times, especially due to high level of responses                                                                       | Medium/Low                        | Delay                                 |                                    |                                                                                                                                                                                                                |
| Coastal Communities Fund 4                                                                         | Delivery of the programme within the budget and timeframe work agreed with the Department for Communities and Local Government (DCLG) | Medium / High                     | Delay<br>Financial cost<br>Reputation | Regeneration Manager               | Monitoring arrangements, and employment of dedicated staff.                                                                                                                                                    |

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## OPERATIONAL RISK REGISTER

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| Service            | Potential Risk                                                                                         | Risk Rating<br>(Likelihood /<br>Impact) | Potential Impact                                                         | Responsibility<br>for controls | Steps to mitigate risk, time frame for<br>implementation and latest position                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Resort<br>Services | Management of Beach<br>Safety<br>(environmental, manmade,<br>weather & sea conditions,<br>behavioural) | Med / High                              | Risk of injury or loss of life<br>Reputational damage /<br>Economic loss | Resort Manager                 | <p>Independent (Royal National Lifeboat Institution - RNLi) risk assessment – reviewed every three years. Pre-arrival information, signage, public rescue equipment, operation of flag system, beach patrol / lifeguard service (peak weeks), first aid provision. Normal Operating Procedure / Emergency Action Plan – reviewed annually</p> <p>In addition to the annual debrief we will also review the extent and level of lifeguard service (increased use and greater accessibility at White Rock, seasonal weather patterns) and the RNLi will review their original risk assessment.</p> <p>RNLi have been contracted to provide our beach lifeguarding services for the 2017 season.</p> |

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# Agenda Item 8



**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** Chief Auditor's Summary Audit and Risk Report (Housing)

**Report By:** Tom Davies  
Chief Auditor

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## **Purpose of Report**

To inform the Audit Committee of the key findings from the Selective Licensing and Homelessness audits.

---

## **Recommendation(s)**

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

---

## **Reasons for Recommendations**

To monitor levels of control within the organisation.

---

## Introduction

1. The audit reports for Selective Licensing and Homelessness in full can be found at appendices A and B respectively.

---

## Wards Affected

None

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## 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  |
| Anti-Poverty                          | No  |

---

## Additional Information

Appendix A: Selective Licensing audit report  
Appendix B: Homelessness audit report

---

## Officer to Contact

Tom Davies  
Email: TDavies@hastings.gov.uk  
Telephone: 01424 451524

---

# *Internal Audit Report 2016/2017*

## *Selective Licensing 16/17/01*

**Hastings Borough  
Council**

*Final*

*September 2017*

▶ [Click to launch](#)

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# Contents

*Executive summary*

**1** 

*Background and scope*

**2** 

*Current year findings*

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*Appendices*

- A. Basis of our classifications
- B. Terms of reference
- C. Limitations and responsibilities

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**Distribution list**

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For action: Matthew China (Housing Renewal Manager)

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For information: Tom Davies (Head of Internal Audit)

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## Executive summary (1 of 3)

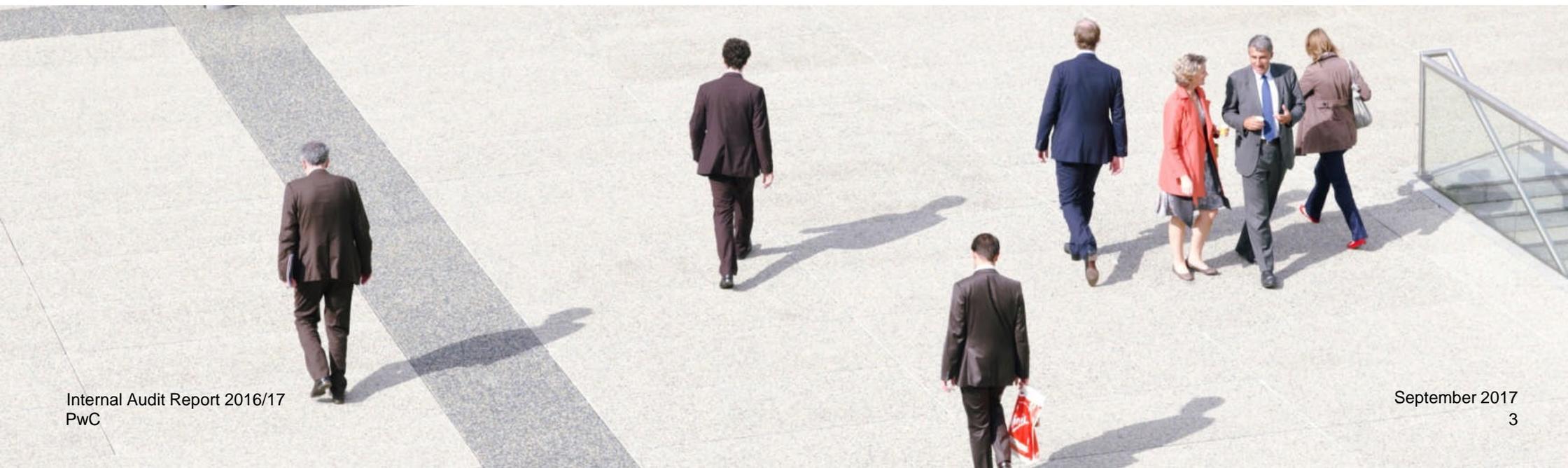
### Report classification



**High risk** (20 points)

### Total number of findings

|                         | Critical | High     | Medium   | Low      | Advisory |
|-------------------------|----------|----------|----------|----------|----------|
| Control design          | 0        | 1        | 2        | 0        | 0        |
| Operating effectiveness | 0        | 0        | 1        | 1        | 0        |
| <b>Total</b>            | <b>0</b> | <b>1</b> | <b>3</b> | <b>1</b> | <b>0</b> |



## Executive summary (2 of 3)

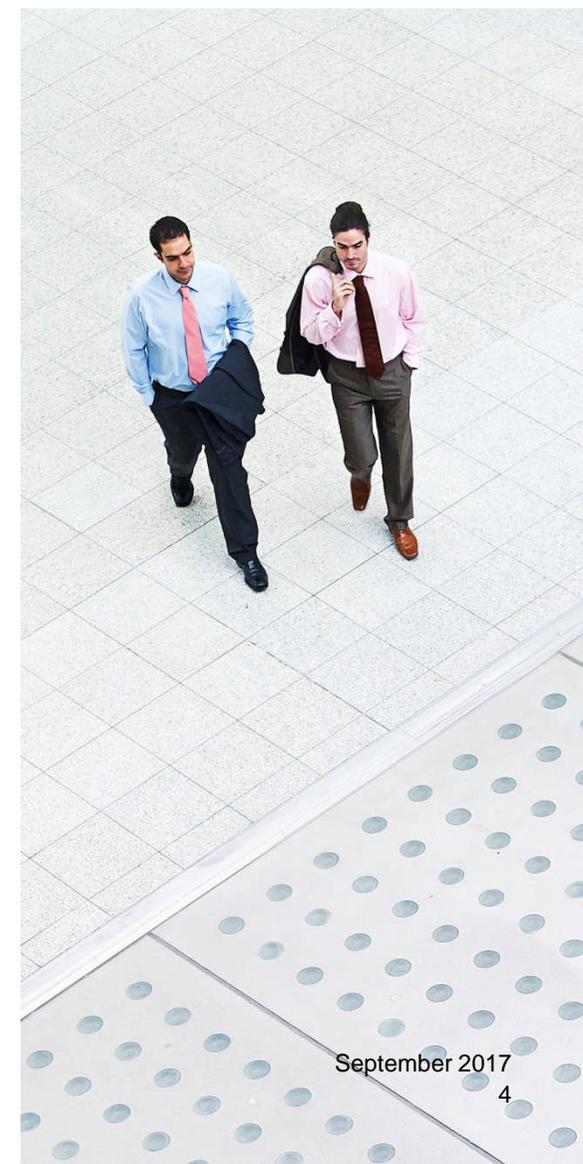


### Summary of findings

The Council launched a Selective Licensing scheme (“the scheme”) in October 2015 which required a licence to be obtained for all privately rented accommodation across seven wards of Hastings and St Leonards . Our review of the scheme and sample testing of key controls around its operation has confirmed that progress with key processes and controls has been made. However, we have identified areas that require management attention, particularly around having a robust business plan, effective management information and monitoring of licence fee collection. The key controls in these areas need to be robust to ensure that the scheme meet its objectives and results in a minimal financial loss for the Council at the end of its five year period. We have summarised our key findings below:

- No sensitivity analysis of the key assumptions or how scheme objectives would be measured was included within the business case. This has meant that it is difficult to track performance and meant the Council did not effectively consider the impact of high demand of the early bird discount offer on the schemes financial performance. **(High risk)**
- The scheme is likely to make a financial loss. Even if all expected future applications are made and paid for at a full fee there would be an overall loss of £110k. There is not currently a plan in place to appropriately address this and minimise the loss to the Council. **(Medium risk)**
- There is unreliable data for scheme operational and financial performance monitoring. This is due to unresolved data quality issues between key systems leading to unreconciled differences in relation to income levels for the scheme. **(Medium risk)**
- Property inspections have not been carried out as planned and sanctions for non-compliance have not been effectively enforced. **(Medium risk)**
- Policies and procedures have not been fully updated to reflect current practice **(Low risk)**

We would like to thank the selective licencing team for their support and assistance during this review.



## Executive summary (3 of 3)

|          |  |               |
|----------|--|---------------|
| <b>1</b> | <b>Sensitivity analysis and performance measurement within the business plan – control design</b>                  | <b>High</b>   |
| <b>2</b> | <b>Ineffective management information due to poor data quality – control design</b>                                | <b>Medium</b> |
| <b>3</b> | <b>Ineffective monitoring of the licence fee collection – control design</b>                                       | <b>Medium</b> |
| <b>4</b> | <b>Inspections and sanctions for non-compliance have not been carried out as planned – operating effectiveness</b> | <b>Medium</b> |
| <b>5</b> | <b>Policies and procedures have not been updated – operating effectiveness</b>                                     | <b>Low</b>    |

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### Summary of findings by areas of scope:

| Area of scope  | Number of findings |      |        |     | Finding ref |
|--|--------------------|------|--------|-----|-------------|
|  | Critical           | High | Medium | Low |             |
| Presenting an effective business case and sign-off of the scheme                 |                    | 1    |        |     | 1           |
| Monitoring against the business plan and taking effective action where necessary |                    | 1    |        |     | 1           |
| Policies, procedures and compliance with statutory requirements                  |                    |      |        | 1   | 5           |
| Roles, responsibilities and adequate separation of duties                        |                    |      |        |     |             |
| Management information   |                    |      | 1      |     | 2           |
| Budgetary control  |                    |      | 1      |     | 3           |
| Licence fee collection   |                    |      | 1      |     | 3           |
| Use of sanctions on unlicensed landlords   |                    |      | 1      |     | 4           |

## Background and scope



### Background

The Council launched a Selective Licensing scheme in October 2015 which required a licence to be obtained for all privately rented accommodation across seven wards of Hastings and St Leonards. The main objectives of this scheme were as follows:

- To ensure safety and improve living conditions of tenants.
- To improve housing standards and reduce the level of anti-social behaviour.
- To improve investment and availability of privately rented homes and build effective partnerships with the key stakeholders (tenants, landlords, estate agents, etc.).
- To support owners and managing agents of the privately rented properties in achieving the required housing standards and to facilitate stable and integrated communities through robust implementation of the policy.

Originally, it was estimated that around 7,000 properties would be required to obtain a licence for renting private accommodation. At the time of this review around 5,400 licence applications had been received, out of which around 3,000 (56%) had been issued a licence. This scheme runs for a five year period. One of the key requirements is that the entire expenditure for the operation of the scheme is covered through the collection of licence fees, so that it will ultimately breakeven with no cost to the Council at the end of the scheme in October 2020.

We have performed our work in line with the attached terms of reference in Appendix B.



## Current year findings (1 of 5)

### *Sensitivity analysis and performance measurement within the business plan*

Control design

**1**

Page 139

Rating

High

#### Finding and root cause

Before the Selective Licensing scheme commenced in October 2015 it went through a consultation process and a business case was approved by Cabinet. We have reviewed the business case and it was broadly in line with good practice including key financial data such as the anticipated number of licences, available discounts, timing of applications, and application fees. However no sensitivity analysis was performed over this data to understand the point at which variability in these key metrics meant the scheme would fail to meet its financial and operational objectives. For instance, one of the key assumptions within the business plan was that 27% of the applicants will take advantage of the early bird discount which reduced the licence fee by up to 67%. At the time of this review, 57% of the total applications received to date took advantage of the early bird discount. This will equate to 44% if all the anticipated applicants (c7,000) apply by the end of the scheme. This translates to a difference of around 17% in one of the key assumptions, resulting in a £369k reduction in income.

We were able to confirm that the overall objectives of the scheme (summarised and referenced within the background section of this report) have been clearly documented within the business plan. However, the measurement of success against these objectives has not been documented. One of the key objectives of the scheme was to tackle anti-social behaviour but it does not indicate how the achievement of this objective will be measured. For example, whether that would mean a certain level of reduction in complaints. It is impossible to understand the success or not of the scheme if desired outcomes are not measured.

Finally, the objectives of the scheme within the business plan have not been translated into relevant action or operational plans which can then be monitored by the management. It has been confirmed that the operational performance of the scheme is regularly monitored and any issues identified as a result are included within action plans for follow up. However, these action plans have not been linked to the overall objectives of the scheme and are more relevant to day to day running of the scheme.

## Current year findings (1 of 5)

### Sensitivity analysis and performance measurement within the business plan

Control design

1

Page 140

Rating

High

#### Implications

If business plans do not include sensitivity analysis over key financial and / or operational assumptions then the point at which projected benefits of the project will not be met is not understood. This inhibits appropriate challenge and debate over the robustness (or otherwise) of key assumptions and could lead to incorrect decision making over whether or not to approve / proceed with business cases.

If outcomes do not have measurable KPIs then it will be challenging to understand whether or not the schemes has been a success and met the objectives of the business plan.

#### Action plan

The business plan for the scheme will be reviewed to understand the sensitivity of the key assumptions and include clear measurements of success for all the objectives of the scheme. These will be regularly monitored by management to ensure that the risk of changes in key assumptions and failure of the scheme to meet its objectives is adequately managed.

In order to do this a mid project review will be undertaken in the Autumn of 2017. The purpose of this review is to assess the financial position of the project and determine if any alteration of the fee structure is required to ensure the scheme is cost neutral at the end of the scheme.

Management have already developed a number of indicators to measure the outcomes of the scheme based on the data used in the initial assessment for the need for the scheme. These will be reported to the Licensing Project Team on a quarterly basis (although it should be noted that some of the external data is only updated periodically). These KPIs are shown on the next page of this report.

*Responsible person/title:*

*Matthew China (Housing Renewals Manager)*

*Target date:*

*31<sup>st</sup> October 2017*

*Reference number:*

*16/17/01-01*

## Current year findings (1 of 5)

### Sensitivity analysis and performance measurement within the business plan

Control design

1

Page 141

Rating

High

| <i>Outcome</i>  | <i>Data</i>   | <i>Source</i>  |
|---|---|--|
| <b><i>Reduction in anti-social behaviour</i></b>                    | Crime reports   | Sussex Police  |
|   | Noise reports   | Environmental Health                                       |
|   | Environmental crime   | Business Wardens   |
|   | Alcohol and substance abuse                                       | JSNA   |
| <b><i>Improvement in housing conditions for private tenants</i></b> | No of licensing housing inspections (and those with action taken) | Housing Renewal  |
|   | Housing statistics  | IMD/Sussex in figures                                      |
|   | Properties improved   | Housing Renewal (existing corporate performance indicator) |
|   | Improvement notices served  | Housing Renewal  |
| <b><i>Improved management standards</i></b>                         | No of gas/electric certificates obtained                          | Housing Renewal  |
|   | HMO Management Regulation letters served                          | Housing Renewal  |
|   | No of landlord training days                                      | Housing Options  |
| <b><i>Reduction of empty properties</i></b>                         | Empty Property Statistics   | Empty Homes Officer  |
|   | Deposits to help homeless   | Housing Options  |

## Current year findings (2 of 5)

### *Ineffective management information due to poor data quality*

Control design

2

Page 142

Rating

Medium

#### Finding and root cause

A budget for the Selective Licensing scheme is allocated for the year and is regularly reviewed by the Housing Renewals Manager and the Regeneration Accountant. However, there is limited evidence that significant variations have been followed up and addressed within any action plans. The monitoring report for February 2017 suggests a forecast year end surplus of £50k compared to a budget surplus of £233k. Furthermore, there is limited evidence of robust reporting of financial and operational performance to management which is then monitored by them to ensure performance is in line with expectations. This links to finding 1 above – without measurable objectives being set in the business plan, the monitoring of performance is more difficult to define.

The total number of applications received since the inception of the scheme in October 2015 was 5,369 and the total cash that has been collected is £1,200,303. The budgeted expenditure for the scheme is £2,114,716 at present and the total number of licences anticipated are 7,118. Therefore, the amount required from each further licence application to break even is £523.82. This compares to a current maximum fee of £460. Even if the Council receives the full fee for the remaining population there will be a deficit of £109,873 against the budgeted expenditure by the end of the scheme.

#### Implications

If the operational and financial performance of the scheme is not being adequately monitored and reconciled through robust reporting of management information, significant deviations in performance will not be identified. This may result in the scheme failing to meet its objectives leading to adverse reputational and financial implications for the Council.

## Current year findings (2 of 5)

### Ineffective management information due to poor data quality

#### Control design

2

Page 143

Rating

Medium

#### Action plan

Considerable work has been undertaken by colleagues in financial services to regularise reconciliation processes. The Council is presently reviewing its financial management system; integration with existing IT systems is to be considered as part of this.

Once reconciled, operational and financial performance will be regularly reported and monitored by the management in line with the objectives of the scheme.

Reconciliation to be undertaken on a quarterly basis and all discrepancies will be remedied immediately. Reconciliation will be included as a standard item every quarter on the Housing Renewal Management Team agenda.

*Responsible person/title:*

*Matthew China (Housing Renewals Manager)*

*Target date:*

*31<sup>st</sup> December 2017*

*Reference number:*

*16/17/01-02*

## Current year findings (3 of 5)

### Ineffective monitoring of licence fee collection

Control design

Page 144

3

Rating

Medium

#### Finding and root cause

We selected a sample of 30 licence applications for detailed testing and it was noted that the individual amounts that have been paid for the licence fee cannot be traced from M3 (the selective licencing database) to the general ledger in Agresso. Of these, six cases have been waiting for more than six months (the current target time for processing the application) with the oldest application being received in January 2016. Furthermore when a letter is sent to the landlord to follow up incomplete applications, due to resource limitations, the landlords are not chased in the event no response.

Of particular concern in relation to financial reporting is that the information within the key systems (M3), Firmstep (online application system for the licence), and Agresso (General Ledger) for the scheme cannot be accurately reconciled and therefore there is limited assurance over the reliability of the reported data. This data quality issue has then impacted on the quality of management information for the financial and operational performance of the scheme.

It was noted that the issues with the accurate reconciliation of data between the key systems and resource limitations as identified in finding 2 have contributed to ineffective monitoring of the above issues.

#### Implications

If sufficient effort is not being placed into obtaining the required information to issue licences or data within the systems cannot be fully relied on, the Council may not be issuing licences appropriately, identifying when action should be taken against landlords or fully collecting all income.

## Current year findings (3 of 5)

### Ineffective monitoring of licence fee collection

Control design

Page 145

3

Rating

Medium

#### Action plan

A review of the cash balance from the licence fee collection and the budgeted expenditure will be undertaken to devise a management plan of action to ensure that the scheme makes a minimal financial loss at the end of five years. This will include addressing the processing and monitoring of applications within the required timeframe to ensure that income is effectively processed and licenses issued. For further detail on this please see the action plan for finding one.

*Responsible person/title:*

*Matthew China (Housing Renewals Manager)*

*Target date:*

*31<sup>st</sup> December 2017*

*Reference number:*

*16/17/01-03*

## Current year findings (4 of 5)

*Inspections and sanctions for non-compliance have not been carried out as planned*

Operating effectiveness

**4**

Page 146

Rating

Medium

### Finding and root cause

To meet some of objectives of the scheme, which included ensuring tenant safety and tackling anti social behaviour, the original plan was to inspect every property after a licence has been issued to ensure compliance. We have obtained the list of inspections performed to date and only around 58% of the total properties that have been issued a licence have been inspected.

We tested a sample of 25 inspections that have been undertaken to ensure that they have been carried out adequately and there is supporting evidence available for review. We identified three cases in which inspections have not been recorded as undertaken even though the scheduled date has now passed. It was confirmed by the management that these inspections were postponed and performed subsequently. However, the system was not updated to reflect this.

At present the Council is unable to issue civil fines for non-compliance and is only able to prosecute through the legal team. There are 12 cases that are currently in prosecution. However, even if the Council is successful there is no financial benefit from the case as only costs relating to the prosecution can be recovered. This is likely to change in May 2017 and the Council will be able to issue civil fines for non-compliance which will result in direct income for the scheme.

It was also noted within an enforcement update presented to the Councillors in January 2017 that some of the inspection visits identified a number of non-compliance issues which fall within Trading Standards' responsibilities. Eleven cases were identified where Trading Standards would normally consider issuing penalty charge notices. These were not issued as the Council does not have the required memorandum of understanding with the County Council.

## Current year findings (4 of 5)

*Inspections and sanctions for non-compliance have not been carried out as planned*

Page 147

Operating effectiveness

**4**

Rating

**Medium**

### Implications

If property inspections are not undertaken in line with the objectives of the scheme then scheme outcomes may not be achieved and the safety of tenant and reduction in anti-social behaviour not achieved.

If non compliance is not identified via inspections then appropriate legal action cannot be taken (to safeguard tenants and achieve scheme outcomes) and, in due course, penalties for non compliance not issued.

### Action plan

- |  |  |
|--|--|
| <ol style="list-style-type: none"> <li>The original business plan proposed to inspect every licenced property. Initial experience of the scheme highlights a number of properties that are well managed and are able to provide evidence of such (including up to date property inspections, gas safety certificates, electrical safety checks). It is felt by management that inspections should be risk based and officer time is focussed on those properties that appear to be poorly managed. It is therefore proposed as part of the mid project review to include a risk matrix to determine prioritisation of inspections. It is proposed to achieve a 60% inspection rate throughout the scheme.</li> <li>Civil penalties will be robustly enforced for non-compliance to contributing to the scheme meeting its objectives. A new Housing Renewal Enforcement Policy has been adopted which includes provision for civil penalties.</li> </ol> | <p><i>Responsible person/title:</i><br/>.....<br/><i>Matthew China (Housing Renewals Manager)</i><br/>.....</p> <p><i>Target date:</i><br/>.....<br/><i>31<sup>st</sup> December 2017</i><br/>.....</p> <p><i>Reference number:</i><br/>.....<br/><i>16/17/01-04</i></p> |
|--|--|

## Current year findings (5 of 5)

### *Policies and procedures have not been updated*

#### Operating effectiveness

Page 148

5

Rating

Low

#### Finding and root cause

There are documented policies and procedures for the operation of the scheme. The Team Leader is responsible for monitoring and updating them for any changes as per the applicable legislation.

However, these procedure documents are not regularly reviewed to ensure that they reflect current practice. For instance, procedures have been documented based on the expectation that inspections will be carried out for each property which is no longer the case due to resource limitations.

#### Implications

If policies and procedures are not up to date then staff may not fully understand the processes and controls required when undertaking their responsibilities. Errors or gaps in controls may occur. Comprehensive and up to date policies and procedures enable the Council to demonstrate intent to comply with statutory duties.

#### Action plan

Following the mid project review there are likely to be amendments to existing policies and procedures. It is proposed by March 2018 to review all the scheme procedures and then these will be uploaded onto the Council SharePoint server which will ensure effective document management.

*Responsible person/title:*

*Matthew China (Housing Renewals Manager)*

*Target date:*

*31<sup>st</sup> March 2018*

*Reference number:*

*16/17/01-05*

**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

---

# *Appendices*

## Appendix A: Basis of our classifications

### Individual finding ratings

#### Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability

#### High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

#### Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

## Appendix A: Basis of our classifications

### Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

### Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

| Findings rating | Points                | Report classification   | Option A      | Option B                     | Points             |
|-----------------|-----------------------|---|---------------|------------------------------|--------------------|
| Critical        | 40 points per finding |  | Low risk      | Satisfactory                 | 6 points or less   |
| High            | 10 points per finding |  | Medium risk   | Satisfactory with exceptions | 7 – 15 points      |
| Medium          | 3 points per finding  |  | High risk     | Needs improvement            | 16 – 39 points     |
| Low             | 1 point per finding   |  | Critical risk | Unsatisfactory               | 40 points and over |

## Appendix B: Terms of reference

The terms of reference was prepared by Tom Davies, Head of Internal Audit, and the scope of this review remains the Head of Internal Audit’s responsibility. We designed our testing procedures to address the scope which was provided to us by the Head of Internal Audit.

### Scope area

Presenting an effective business case and sign-off of the scheme

### Test

Review the business case and surrounding documentation to confirm:

1. A Selective Licensing business case has been prepared for the scheme. This includes:
  - a. An assessment of the opportunities and risks.
  - b. A financial appraisal.
  - c. Key assumptions and their sensitivity.
  - d. Details of alternative arrangements and why they have been rejected.
  - e. Objectives and measurements of success.

2. The business case has been subject to senior officer review and challenge.

3. The business case has been signed off by an appropriate committee.

1. Confirm that objectives and measurements detailed in the business case have been extracted and compiled into an action plan or equivalent.

2. Review the action plan to validate whether each objective has been broken down (where relevant), with specific actions identified. Each action should have a named owner, due date and progress tracked.

3. Where actions are not on track, confirm these have been escalated and action is being taken to address.

1. Review key policies and procedures to confirm they have been reviewed on a regular basis and reflect current practice.

2. Evaluate the process the Council has in place to ensure compliance with statutory requirements. In particular who has responsibility to monitor and apply changes in applicable legislation.

1. Review job descriptions and hierarchy structure to confirm that roles are clearly defined.

2. Obtain understanding of key controls through the license fee collection process and ensure that it is designed such that no one person has the ability to process an entire transaction.

Monitoring against the business plan and taking effective action where necessary

Policies, procedures and compliance with statutory requirements

Roles, responsibilities and adequate separation of duties

## Appendix B: Terms of reference

### Scope area

Management information

Budgetary control

Licence fee collection

Use of sanctions on unlicensed landlords

### Test

1. Obtain a list of management reports and ensure that these have been consistently produced during the year.
2. Select a sample of reports and ensure that they agree to the relevant database with minimal manipulation.
3. Verify that the reports have been discussed by management and identified issues have resulted in agreed actions that have been addressed.
  1. Confirm that an agreed budget is in place and monitored during the year.
  2. Verify that significant deviations from the budget have been discussed by management and identified issues have resulted in agreed actions that have been addressed.
1. Obtain listing of all transactions in financial year to date. Select a sample and confirm each of the key controls, as identified above, have been applied appropriately with sufficient segregation of duties.
  1. Obtain an understanding of the sanctions at disposal to the Council for unlicensed landlords.
  2. Evaluate whether the policy in relation to the use of sanctions is clear and would allow consistency in enforcement.
  3. Sample test a selection of applications of sanctions to confirm that they have been applied consistently, in line with policy and with appropriate consideration of the context.

## Appendix C: Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

#### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Hastings Borough Council and solely for the purpose and on the terms agreed with Hastings Borough Council in our agreement dated 20/03/2017. The work was performed in accordance with Hastings Borough Council's internal audit methodology and the findings reported to the Head of Internal Audit, who remains responsible for the final conclusions expressed and ratings assigned therein. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

In the event that, pursuant to a request which Hastings Borough Council has received under the Freedom of Information Act 2000 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), Hastings Borough Council is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. Hastings Borough Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, Hastings Borough Council discloses any of this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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# *Internal Audit Report 2016/2017*

## Homelessness 16/17/02

**Hastings Borough  
Council**

Final

September 2017

▶ Click to launch

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- B. Terms of reference
- C. Limitations and responsibilities

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**Distribution list**

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For action: Joe Powell (Housing Needs and Policy Manager)

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For information: Tom Davies (Head of Internal Audit)

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# Executive summary (1 of 3)

## Report classification



**Medium risk** (12 points)

## Total number of findings

|                         | Critical | High     | Medium   | Low      | Advisory |
|-------------------------|----------|----------|----------|----------|----------|
| Control design          | 0        | 0        | 2        | 0        | 0        |
| Operating effectiveness | 0        | 0        | 2        | 0        | 0        |
| <b>Total</b>            | <b>0</b> | <b>0</b> | <b>4</b> | <b>0</b> | <b>0</b> |



## Executive summary (2 of 3)



### Summary of findings

To comply with statutory legislation, primarily the Housing Act 1996, the Council has a number of mandatory duties in relation to the prevention of and response to homelessness. Our work sought to evaluate the homelessness procedures in place, whether they have been effectively applied and how the Council seeks to comply with legislation.

The Council has arrangements in place to achieve compliance with the statutory requirements to both prevent homelessness and to deal with statutory homelessness. However, we have identified areas that require management attention, particularly the effectiveness of management information, and the operation of key controls around issuing loans and providing emergency accommodation. The key controls in these areas need to be robust to ensure that the Council is compliant with its statutory requirements while providing a high quality and effective service. We have summarised our key findings below:

- There is currently inconsistent management information for monitoring performance requiring a high level of manual processing. This is partly due to the transition to a new IT system which is not currently being used to its full potential. As a result, some key information, such as the booking of emergency accommodation and issuing of loans to clients is processed on spreadsheets **(Medium risk)**.
- Deposit loans are provided to clients in certain circumstances to allow accommodation to be obtained. In a sample of 21, there was inadequate authorisation in three cases, incomplete loan agreements in ten cases and delayed recovery of deposit loans in seven cases **(Medium risk)**.
- Testing of the arrangement for emergency accommodation identified that in two cases out of 20, the Council could not verify whether accommodation was arranged, while in five cases it took over a month to be arranged **(Medium risk)**.
- While some policies and procedures have been documented, they are not comprehensive and up to date **(Medium risk)**.

Alongside the above, we identified areas where robust controls are in place. The Council has an effective budget monitoring process for homelessness as well as systems to review and react to changes in legislation. Our testing of six social letting arrangements, where the Council leases a property for three years allowing it to be used to help those at risk of homelessness, found that each had a lease agreement in place, eligibility assessments had been undertaken for the tenants and the financial information tied to the underlying records.

We would like to thank the Housing team for their support and assistance during this review.

## Executive summary (3 of 3)

**1** *Ineffective management information due to poor data quality – control design*

Medium

**2** *Inadequate sign-off and recovery of deposit loans – operating effectiveness*

Medium

**3** *Emergency accommodation has not been booked as required – operating effectiveness*

Medium

**4** *Policies and procedures are not comprehensive and up to date – control design*

Medium

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### Summary of findings by areas of scope:

| Area of scope  | Number of findings |      |        |     | Finding reference |
|--|--------------------|------|--------|-----|-------------------|
|  | Critical           | High | Medium | Low |                   |
| Policies, procedures and compliance with statutory requirements  |                    |      | 1      |     | 4                 |
| Roles, responsibilities and adequate separation of duties  |                    |      | 1      |     | 2                 |
| Financial authorisation processes & Financial recording procedures   |                    |      | 2      |     | 2 and 3           |
| Management information   |                    |      | 1      |     | 1                 |
| Budgetary controls   |                    |      | 1      |     | 1                 |
| Loans and arrears collection   |                    |      | 1      |     | 2                 |
| Compliance with the Housing Act 1996 Part VII (as amended) and evaluation of the impact of the Homelessness Reduction Bill 2016-17 |                    |      |        |     |                   |

## Background and scope



### Background

The management of homelessness prevention and statutory homelessness is performed by two teams (Housing Options and Housing Solutions) within the Council who report to the Housing Needs and Policy Manager. The Housing Options team are the first point of contact for claimants when they present themselves as either being homeless or at threat of becoming homeless. The team will perform a detailed assessment to decide whether action by the Council is required, either through homelessness prevention or, when the claimant is homeless, arrangement of accommodation.

Where action is needed, the case is referred to the Housing Solutions team who will either arrange the required accommodation, in the case of statutory homelessness, or issue a loan for a deposit or rent in advance for homelessness prevention.

As part of the homelessness strategy, the Council have a social lettings arrangement (Letstart letting) in place. The arrangement allows the Council to lease a property for three years from the property owner who has applied to partake in this scheme. In this way the Council effectively becomes the landlord for that time period, with these properties being let out to people who are either homeless or face a threat of homelessness. There are currently 49 households, including three houses of multiple occupancy, under this arrangement.

The full scope of the review is contained within the Terms of Reference of the review as set out in appendix B.



## Current year findings (1 of 4)

**Ineffective management information due to poor data quality – control design**

Page 163

**1**

**Rating**

**Medium**

### Finding and root cause

As part of the annual budgeting process, a budget is agreed for homelessness which is then regularly reviewed by the Housing Needs and Policy Manager and the Regeneration Accountant during the year. There is, however, limited evidence that significant variations from budget have been followed up and addressed within an action plan. Furthermore, there is limited granular reporting of financial and operational performance to management which allows them to monitor whether performance is in line with expectations.

Since July 2016 a new IT system (“Localpad”) has been used for the management of various aspects of the homelessness process. However, not all aspects of the process are managed on Localpad and there is remains a considerable level of manual input within some areas. In particular, for booking emergency accommodation and issuing loans to clients, the process is managed entirely manually. As a result of this issue, reliable data for the activity and performance of the team is not easily available for the management to monitor. Localpad is not currently used at its full potential as it is still in the roll out phase. Management are ensuring that each module functions correctly and staff are appropriately trained, prior to its launch. This is a reasonable approach and should continue in order to reduce the level of manual input/processing. Once the system is fully functioning with reliable data being accessible, greater consideration could also be given to monitoring performance through KPIs which could be extracted from the system.

### Implications

If the operational and financial performance of the Housing team is not being adequately monitored through robust reporting of management information, significant deviations in performance will not be identified which may result in non-compliance with the statutory requirements leading to adverse reputational and financial implications for the Council and potential legal challenge from citizens.

## Current year findings (1 of 4)

**Ineffective management information due to poor data quality – control design**

Page 164

**1**

Rating

**Medium**

### Action plan

The Council will design procedures/update systems so that all possible processes within the relevant areas of homelessness operations can be directly managed on Localpad. This should include functionality to extract meaningful management information that is used to robustly report and manage the operational and financial performance against an agreed suite of KPIs (including those that demonstrate performance against statutory requirements).

*Responsible person/title:*

Joe Powell (Housing Needs and Policy Manager)

*Target date:*

31<sup>st</sup> December 2017

*Reference number:*

16/17/02-01

## Current year findings (2 of 4)

### Inadequate sign-off and recovery of deposit loans – operating effectiveness

Page 165

2

Rating

Medium

#### Finding and root cause

As part of the homelessness prevention strategy, the Council can issue loans for the payment of deposits or rent in advance to eligible clients. The Council procedures require two members of management to sign-off the deposit slip prior to issuing a loan. We have reviewed a sample of 21 cases of loans issued to ensure that they had been adequately authorised prior to issue. In three cases there was only one manager sign-off. The total amount of loans issued in these cases was £2,820.

The Council procedures also requires the team to complete a loan agreement document for a repayment plan which has to be signed off by the team manager. We could not obtain agreements in 10 cases, with the total amount of loans issued in these cases being £12,310. The section have stated that repayment agreements were probably completed but the document given directly to the client without a copy being taken for Council records.

The collection of loans is outsourced to a third party, the Hastings & Rother Credit Union. The service is covered by an SLA. The debtor balance is passed over to the Credit Union who are responsible for the collection of the loan. The process in the event of non-payment is not clearly defined in the SLA stating:

- The CU will aim to achieve 100% recovery rate of loans on behalf of the Council. The CU will use best endeavours to achieve the highest possible collection rate.
- The CU will notify the Council if/when a Borrower has failed to adhere to the loan agreement and confirm action proposed.

However, we were informed by the Council that if repayment of the loan is not received as expected, the Credit Union sends a list of those who haven't paid to the Council. From this point a letter is sent to the client informing them that money is owed, which is also recorded on LocalPad. In our sample tested we noted seven cases of non-repayment of loans. These were only chased by the Council after the payment was due for at least three months, with two being due for over five months prior to action being taken. This delay increases the likelihood that monies will not be recovered and therefore responsibility for this process should be clarified and understood between the CU and the Council.

In all seven cases the loans were paid directly to the landlords and not to the tenants.

## Current year findings (2 of 4)

### Inadequate sign-off and recovery of deposit loans – operating effectiveness

Page 166

2

Rating

Medium

#### Finding and root cause (continued)

While there is no one specific cause behind these issues, the lack of documented procedures, use of spreadsheets, limited monitoring and high staff turnover may all have contributed.

#### Implications

If the loans are not adequately authorised then the risk of inappropriate or fraudulent payments is increased.

If loans are not supported by a repayment plan or recovered on a timely basis then the risk of non repayment is increased leading to financial loss to the Council.

#### Action plan

Loan procedures, including obtaining the required levels of authorisation will be robustly managed and monitored to ensure compliance with agreed polices. This procedure will be documented.

*Responsible person/title:*

Joe Powell (Housing Needs and Policy Manager)

*Target date:*

31<sup>st</sup> December 2017

*Reference number:*

16/17/02-02

## Current year findings (3 of 4)

**Emergency accommodation has not been booked as required**  
– operating effectiveness

Page 167

3

Rating

Medium

### Finding and root cause

At present there are 53 placements within emergency accommodation, which includes selected Bed and Breakfasts (“B&B”) and Hotels. Eligibility for the emergency accommodation of the applicants is determined by the Housing Options team. Relevant cases are referred to the Housing Solutions team who are then responsible for arranging the required accommodation. This team maintains a list of active B&B providers and current placements which is manually updated on a twice weekly basis.

We tested a sample of 20 cases requiring emergency accommodation and in two cases no supporting evidence was available to determine whether accommodation had been arranged or alternative action had been taken. The introduction of Localpad may help to address these types of issues, with a clearer indication of where required information is missing.

### Implications

If the emergency accommodation is not adequately arranged as per the required procedures then this may lead to non-compliance with the Housing Act which could result in legal challenges, adverse financial and reputational implications for the Council along with a potential increase in homelessness.

If records are not maintained of the outcome of emergency accommodation placements then the Council cannot evidence the process taken to support the client.

## Current year findings (3 of 4)

**Emergency accommodation has not been booked as required**  
– operating effectiveness

Page 168

**3**

Rating

**Medium**

### Action plan

Procedures for booking emergency accommodation will be processed/updated on Localpad and robustly managed and monitored to ensure compliance with agreed policies. This will include monitoring the completeness of information in relation to the booking of emergency accommodation.

*Responsible person/title:*

Joe Powell (Housing Needs and Policy Manager)

*Target date:*

31<sup>st</sup> December 2017

*Reference number:*

16/17/02-03

## Current year findings (4 of 4)

**Policies and procedures are not comprehensive and up to date – control design**

**4**

Page 169

**Rating**

**Medium**

### Finding and root cause

There are documented policies and procedures for some of the areas in scope for homelessness including procedures for recording and managing the personal contributions of the clients, eviction procedures and rent arrears procedures. These documents have not been updated to reflect current practice and lack effective version control. Good practice would suggest that all policies and procedures set out the version number, author, owner, date of drafting/approval and next review date.

Furthermore, the policies and procedures are not comprehensive and do not cover all of homelessness operations. This presents a business continuity risk, especially when there is a relatively high turnover of staff which has been historically the case within the Housing team.

### Implications

If policies and procedures are not complete and up to date then staff may not fully understand the processes and controls required when undertaking their responsibilities. Errors or gaps in controls may occur. Comprehensive and up to date policies and procedures enable the Council to demonstrate intent to comply with statutory duties.

### Action plan

Policies and procedures will be kept under review in light of the introduction of the new Homelessness Reduction Act in April 2018.

*Responsible person/title:*

Joe Powell (Housing Needs and Policy Manager)

*Target date:*

31<sup>st</sup> December 2017

*Reference number:*

16/17/02-03



**Appendix A: Basis of our  
classifications**

**Appendix B: Terms of  
reference**

**Appendix C: Limitations  
and responsibilities**

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# *Appendices*

Page 170

## Appendix A: Basis of our classifications

### Individual finding ratings

#### Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability

#### High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

#### Medium

A finding that could have a:

- **Moderate** impact on operational performance; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

## Appendix A: Basis of our classifications

### Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

### Report classifications

The report classification is determined by allocating points to each of the findings included in the report.

| Findings rating | Points                | Report classification   | Option A      | Option B                     | Points             |
|-----------------|-----------------------|---|---------------|------------------------------|--------------------|
| Critical        | 40 points per finding |  | Low risk      | Satisfactory                 | 6 points or less   |
| High            | 10 points per finding |  | Medium risk   | Satisfactory with exceptions | 7 – 15 points      |
| Medium          | 3 points per finding  |  | High risk     | Needs improvement            | 16 – 39 points     |
| Low             | 1 point per finding   |  | Critical risk | Unsatisfactory               | 40 points and over |

## Appendix B: Terms of reference

The terms of reference was prepared by Tom Davies, Head of Internal Audit, and the scope of this review remains the Head of Internal Audit’s responsibility. We designed our testing procedures to address the scope which was provided to us by the Head of Internal Audit.

### Scope area

Policies, procedures and compliance with statutory requirements

Roles, responsibilities and adequate separation of duties

Financial authorisation processes & Financial recording procedures

Management information

### Test

1. Review key policies and procedures to confirm they have been reviewed on a regular basis and reflect current practice.

2. Evaluate the process the Council has in place to ensure compliance with statutory requirements. In particular who has responsibility to monitor and apply changes in applicable legislation.

1. Review job descriptions and hierarchy structure to confirm that roles are clearly defined.

2. Obtain understanding of key controls through the homelessness processes and ensure that they are designed such that no one person has the ability to process an entire transaction.

1. For a sample of cases within each homelessness finance stream test that the key controls identified above have been applied appropriately. The identified streams are:

- Deposit Loans
- Emergency B&B
- SLAs
- Paid travel for people placed in Maidstone
- Housing Benefit / Universal Credit
- Payment of client personal contribution costs

1. Obtain a list of management reports and ensure that these have been consistently produced during the year.

2. Select a sample of reports and ensure that they agree to the relevant database with minimal manipulation.

3. Verify that the reports have been discussed by management and identified issues have resulted in agreed actions that have been addressed.

## Appendix B: Terms of reference

### Scope area

Budgetary Controls

Loans and arrears collection

Compliance with the Housing Act 1996 Part VII (as amended) and evaluation of the impact of the Homelessness Reduction Bill 2016-17

### Test

1. Confirm that an agreed budget is in place and monitored during the year.
2. Verify that significant deviations from the budget have been discussed by management and identified issues have resulted in agreed actions that have been addressed.
  1. Document the loans and arrears collection process used by the Council.
  2. Evaluate the controls in place to ensure consistent collection and management of arrears.
  3. Test a sample of collections to ensure that they are in line with the agreed policy.
    1. Obtain an understanding via discussion with relevant personnel of the Council's approach to the Housing Act and Homelessness Reduction Bill.
    2. Evaluate whether the discussions held suggest that processes in place are sufficient to ensure

## Appendix C: Limitations and responsibilities

### Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

#### Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

#### Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

### Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

This document has been prepared only for Hastings Borough Council and solely for the purpose and on the terms agreed with Hastings Borough Council in our agreement dated 20/03/2017. The work was performed in accordance with Hastings Borough Council's internal audit methodology and the findings reported to the Head of Internal Audit, who remains responsible for the final conclusions expressed and ratings assigned therein. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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# Agenda Item 9



**Report to:** Audit Committee

**Date of Meeting:** 21 September 2017

**Report Title:** Annual Treasury Management Report 2016/17

**Report By:** Peter Grace  
Assistant Director, Financial Services and Revenues

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## **Purpose of Report**

This report provides the opportunity for the Committee to scrutinise the Treasury Management activities and performance of the last financial year.

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## **Recommendation(s)**

1. To consider the report – no recommendations are being made to amend the current Treasury Management Strategy as a result of this particular review.

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## **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 2016-17.

Under the Code adopted the Full Council are required to consider the report and any recommendations made.

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## Introduction

1. This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
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 regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
5. Member training on treasury management issues was undertaken during the year on 10/1/2017 in order to support members' scrutiny role.
6. This annual Treasury report covers
  - a) capital expenditure and financing 2016-17
  - b) overall borrowing need (the Capital Financing Requirement)
  - c) treasury position as at 31 March 2017;

- d) performance for 2016-17;
- e) the strategy for 2016-17;
- f) the economy and interest rates in 2016-17;
- g) borrowing rates in 2016-17;
- h) the borrowing outturn for 2016-17;
- i) debt rescheduling;
- j) compliance with treasury limits and Prudential Indicators;
- k) investment rates in 2016-17;
- l) investment outturn for 2016-17;

## Capital Expenditure and Financing 2016/17

7. 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.
8. The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

| Capital Programme Financing 2016/17                 | Outturn 2016-17 |        |
|---|-----------------|--------|
|   | £000's          | £000's |
| Expenditure :                                       |                 | 16,896 |
| Borrowing   |                 | 13,225 |
| Grants:   |                 |        |
| Disabled Facilities Grant                           | 966             |        |
| Lottery Grants                                      | 180             |        |
| Coastal Communities                                 | 158             |        |
| Regional Housing Board                              | 10              |        |
| Hastings and St Leonards Foreshore Charitable Trust | 127             |        |
| East Sussex County Council                          | 50              |        |
| Environment Agency                                  | 450             |        |
| Historic England                                    | 9               |        |
| Other Grants and Contributions                      | 90              |        |
|   |                 | 2,040  |
| Reserves  |                 | 934    |
| Capital Receipts                                    |                 | 697    |
| Total   |                 | 16,896 |

## Overall Borrowing Need (Capital Financing Requirement (CFR))

9. 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.
10. 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.
11. 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.
12. 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).
13. The Council's 2016/17 MRP Policy was approved as part of the Treasury Management Strategy Report for 2016/17 by Council in February 2016.
14. 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>   | 2015/16<br>Actual<br>£000's | 2016/17<br>Estimate<br>£000's | 2016/17<br>Actual<br>£000's |
|------------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Opening balance                    | 18,574                      | 18,352                        | 18,064                      |
| Add unfinanced capital expenditure | 300                         | 13,225                        | 13,225                      |
| Less repayments (LAMS)             |                             |                               | (1,000)                     |
| Less MRP                           | (501)                       | (505)                         | (505)                       |
| Less finance lease arrangements    | (9)                         | (9)                           | (0)                         |
| Closing balance                    | 18,064                      | 31,063                        | 29,783                      |

15. Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.
16. 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 2016/17 plus the expected changes to the CFR over 2017/18 and 2018/19 from financing the capital programme. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2016/17. 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> | 2015/16<br>Actual | 2016/17<br>Estimate | 2016/17<br>Actual |
|---|-------------------|---------------------|-------------------|
|   | £000's            | £000's              | £000's            |
| Capital Financing Requirement           | 18,574            | 31,063              | 29,783            |
| External Borrowing                      | 14,197            | 20,483              | 26,469            |
| Net Internal Borrowing                  | 4,377             | 10,580              | 3,314             |

### Treasury Position as at 31 March 2017

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

| Debt                     | 1 April 2016<br>Principal | Rate                | Maturity | 31-Mar-17<br>Principal | Rate                  |
|--------------------------|---------------------------|---------------------|----------|------------------------|-----------------------|
| PWLB Loan 1              | £7,500,000                | 4.80%               | 2033     | £7,500,000             | 4.80%                 |
| PWLB Loan 2              | £1,000,000                | 2.02%               | 2016     |                        |                       |
| PWLB Loan 3              | £1,000,000                | 1.63%               | 2018     | £1,000,000             | 1.63%                 |
| PWLB Loan 4              | £2,000,000                | 0.56%<br>(Variable) | 2019     | £2,000,000             | 0.40%<br>(*Variable ) |
| PWLB Loan 5              | £909,027                  | 3.78%               | 2044     | £909,027               | 3.78%                 |
| PWLB Loan 6              | £1,788,235                | 3.78%               | 2044     | £1,788,235             | 3.78%                 |
| PWLB Loan 7<br>(Annuity) | £300,000                  | 1.66%               | 2026     | £272,182               | 1.66%                 |
| PWLB Loan 8              |                           |                     | 2056     | £1,000,000             | 2.92%                 |
| PWLB Loan 9              |                           |                     | 2046     | £1,000,000             | 3.08%                 |
| PWLB Loan 10             |                           |                     | 2036     | £1,000,000             | 3.01%                 |
| PWLB Loan 11             |                           |                     | 2026     | £1,000,000             | 2.30%                 |
| PWLB Loan 12             |                           |                     | 2054     | £2,000,000             | 2.80%                 |
| PWLB Loan 13             |                           |                     | 2028     | £1,000,000             | 2.42%                 |
| PWLB Loan 14             |                           |                     | 2057     | £2,000,000             | 2.53%                 |
| PWLB Loan 15             |                           |                     | 2059     | £2,000,000             | 2.50%                 |
| PWLB Loan 16             |                           |                     | 2060     | £2,000,000             | 2.48%                 |
| <b>Total Debt</b>        | <b>£14,497,262</b>        | <b>3.55%</b>        |          | <b>£26,469,444</b>     | <b>3.15%</b>          |

\* Rate at January 2017 (rates change every 3 months)

| <b>Table 5</b>            | 31st March 2016<br>Principal | 31st March 2017<br>Principal |
|---------------------------|------------------------------|------------------------------|
| <b>Investments</b>        |                              |                              |
| -In-House *               | £22.5m                       | £27.8m                       |
| <b>Total Investments*</b> | <b>£22.5m</b>                | <b>£27.8m</b>                |

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

## Performance Measurement (2016-17)

18. Table 6 below compares the Estimated Interest Payable and Received and associated fees for the year 2016-17.

| <b>Table 6</b>             | 2015 -16<br>Actual Outturn<br>£000's | 2016-17<br>Revised Budget<br>£000's | 2016 -17<br>Actual Outturn<br>£000's |
|----------------------------|--------------------------------------|-------------------------------------|--------------------------------------|
| Gross Interest Payable     | 509                                  | 675                                 | 686                                  |
| Gross Interest Received    | (302)                                | (223)                               | (301)                                |
| Fees                       | 10                                   | 6                                   | 17                                   |
| Other (e.g. PWLB Discount) | (53)                                 | (51)                                | (51)                                 |
| Net Cost                   | 164                                  | 407                                 | 351                                  |

19. The net interest on the Local Authority Mortgage Scheme (LAMS), as detailed below, is being transferred into the Mortgage Reserve.

| <b>Table 7</b>          | 2015 -16<br>Actual Outturn<br>£000's | 2016-17<br>Revised Budget<br>£000's | 2016-17<br>Actual Outturn<br>£000's |
|-------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| Gross Interest Payable  | 36                                   | 31                                  | 31                                  |
| Gross Interest Received | (64)                                 | (54)                                | (54)                                |
| Net Surplus             | (28)                                 | (23)                                | (23)                                |

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</b> Reserves | 31 March<br>2016 | 31 March<br>2017 |
|-------------------------|------------------|------------------|
|                         | £000's           | £000's           |
| General Fund Balance    | 500              | 500              |
| Earmarked Reserves      | 12,650           | 12,063           |
| General Reserve         | 7,537            | 7,520            |
| Total                   | £20,187          | £19,583          |

It should be noted that Earmarked Reserves includes £1.264m (£1.706m at 31 March 2016) of Clinical Commissioning Group monies

### **The Strategy for 2016-17**

21. The expectation for interest rates within the Treasury Management Strategy for 2016/17 anticipated that the historically low Bank Rate would be subject to gradual rises in medium and longer term and as such fixed borrowing rates would increase slowly during 2016/17. Variable, or short-term rates, were expected to be the cheaper form of borrowing over the period. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
22. During 2016/17 there was major volatility in PWLB rates with rates falling during quarters 1 and 2 to reach historically very low levels in July and August, before rising significantly during quarter 3, and then partially easing back towards the end of the year.
23. The strategy adopted in the original Treasury Management Strategy report for 2016/17 approved by the Council in February 2016 was subject to revision in the year to amend the Minimum Revenue Provision policy to allow for a debt repayments based on an annuity methodology and an increase in the authorised borrowing limits. This followed the Council's acquisition of Muriel Matters House and the Sedlescombe Road North Retail Park in addition to the existing capital programme.
24. The treasury strategy had been to postpone borrowing to avoid the cost of holding higher levels of investments and reduce counterparty risk except where contractual arrangements with Amicus Horizon were involved. However, with the increased level of Capital expenditure on commercial property and the need to secure the net income streams for future years, along with an under borrowed position that the Council held, new borrowing was undertaken in the year, in order to minimise costs in the long term..
25. The general aim of the treasury management strategy is to minimise the costs of borrowing in both the short and longer term. In the short term it can consider avoiding new borrowing and using cash balances to finance new borrowing. However to minimise longer term costs it needs to borrow when rates are a historically low levels. Given also that the Council's ambitions are to generate future income streams, which would involve future borrowing, the opportunities were taken to secure new borrowing in the year. The timing of new borrowing is therefore important to minimise the overall costs to the Council.
26. The 2016/17 strategy stated that the short term savings achieved through avoiding new long term external borrowing in 2016/17 would be weighed against the potential for incurring additional long term extra costs by delaying new external borrowing until later years when PWLB long term rates were forecast to

be significantly higher. The strategy stated that a balanced position would be sought in 2016/17.

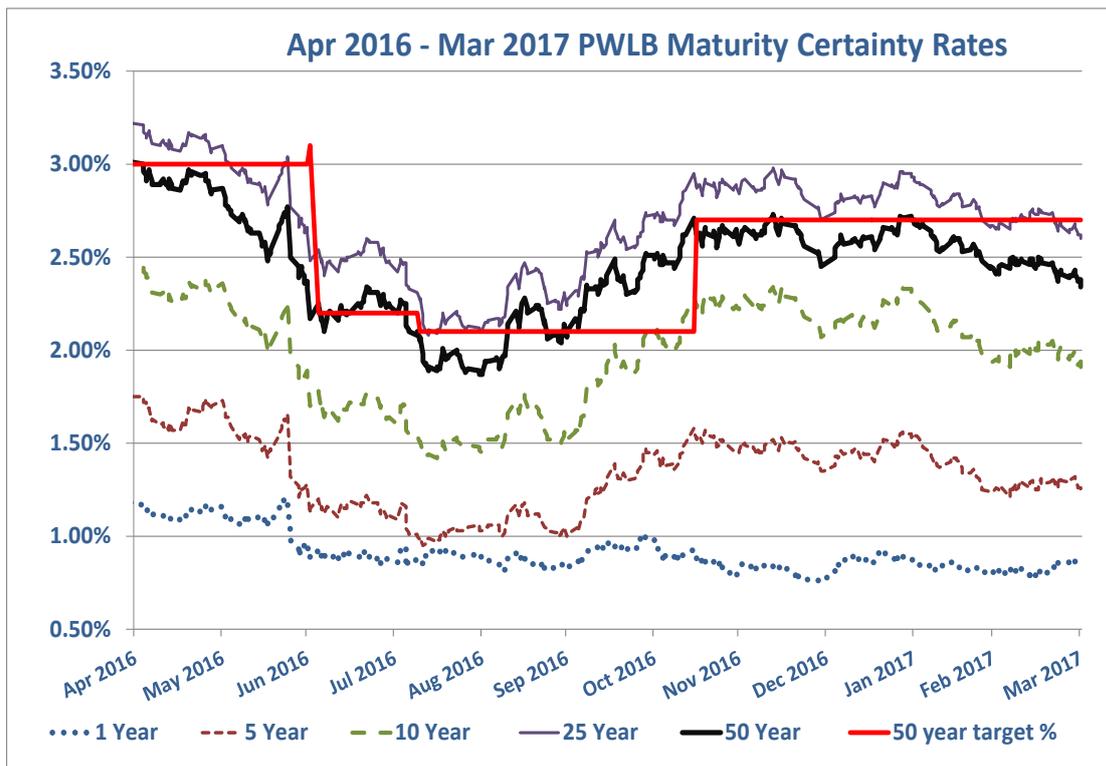
## The Economy and Interest Rates

27. The two major landmark events that had a significant influence on financial markets in the 2016-17 financial year were the UK EU referendum on 23 June and the election of President Trump in the USA on 9 November. The first event had an immediate impact in terms of market expectations of when the first increase in Bank Rate would happen, pushing it back from quarter 3 2016 to quarter 4 2016. At its 4 August meeting, the Monetary Policy Committee (MPC) cut Bank Rate from 0.5% to 0.25% and the Bank of England's Inflation Report produced forecasts warning of a major shock to economic activity in the UK, which would cause economic growth to fall almost to zero in the second half of 2016. The MPC also warned that it would be considering cutting Bank Rate again towards the end of 2016 in order to support growth. In addition, it restarted quantitative easing with purchases of £60bn of gilts and £10bn of corporate bonds, and also introduced the Term Funding Scheme whereby potentially £100bn of cheap financing was made available to banks.
28. In the second half of 2016, the UK economy confounded the Bank's pessimistic forecasts of August. After a disappointing quarter 1 of only +0.2% GDP growth, the three subsequent quarters of 2016 came in at +0.6%, +0.5% and +0.7% to produce an annual growth for 2016 overall, compared to 2015, of no less than 1.8%, which was very nearly the fastest rate of growth of any of the G7 countries. Needless to say, this meant that the MPC did not cut Bank Rate again after August but, since then, inflation has risen rapidly due to the effects of the sharp devaluation of sterling after the referendum.

## Borrowing Rates in 2016-17

29. 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.
30. The graph highlights the historically low rates in the year, following the Brexit vote.

Table 9: PWLB rates



31. The table above highlights the fluctuation in borrowing rates throughout the year for different borrowing periods (in years).

### Borrowing Outturn for 2016/17

32. Additional long term borrowing of £13.225m was undertaken in 2016/17 in respect of the Muriel Matters House, the BD Foods Factory and Sedlescombe Road North Retail Park.
33. The first loan in respect of the Local Authority Mortgage scheme was repaid (after 5 years) in December 2016 (£1million). This loan was taken out to fund the first tranche of the Local Authority Mortgage scheme and was matched with a deposit of £1m with Lloyds Bank at an interest rate of 4.45% (repaid to the Council in January 2017). The remaining £1million loan is due to be repaid in 2018.

### Debt Rescheduling

34. 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

35. 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 2016-17

36. After the EU referendum, Bank Rate was cut from 0.5% to 0.25% on 4 August and remained at that level for the rest of the year. Market expectations as to the timing of the start of monetary tightening started the year at quarter 3 2018, but then moved back to around the end of 2019 in early August before finishing the year back at quarter 3 2018. Deposit rates continued into the start of 2016/17 at previous depressed levels but then fell during the first two quarters and fell even further after the 4 August MPC meeting resulted in a large tranche of cheap financing being made available to the banking sector by the Bank of England. Rates made a weak recovery towards the end of 2016 but then fell to fresh lows in March 2017.
37. 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.

### Investment Strategy

38. The strategy was effectively amended at the Council meeting in February 2017, enabling investments to be made in the CCLA Property Fund (£2m invested in April 2017). Other than this the Investment strategy did not change during the year, other than Investment returns being lower and for a longer period than previously anticipated.

### Investment Outturn for 2016-17

39. Investments held by the Council - the Council maintained an average balance in the year of £27.4m. The average rate of return for the year was 0.61% (0.81% including LAMS scheme deposits). The comparable performance indicator is the average 7-day LIBID rate (un-compounded), which was 0.2%.
40. The table below provides a snapshot of the investments/deposits held at 31 March 2017.

| Counterparty       | Rate/ Return (%) | Start Date | End Date   | Principal (£) | Term  |
|--------------------|------------------|------------|------------|---------------|-------|
| NatWest            | 0.01             |            |            | 74,694        | Call  |
| NatWest            | 0.10             |            |            | 5,000,021     | Call  |
| Lloyds Bank        | 1.05             | 11/05/2016 | 11/05/2017 | 5,000,000     | Fixed |
| National Australia | 0.76             | 03/06/2016 | 05/06/2017 | 3,000,000     | Fixed |
| Toronto            | 0.55             | 16/08/2016 | 16/05/2017 | 5,000,000     | Fixed |
| Nordea             | 0.43             | 30/09/2016 | 30/06/2017 | 5,000,000     | Fixed |
| Barclays           | 0.40             |            |            | 2,957,814     | Call  |
| Lloyds Gen         | 0.40             |            |            | 1,765,170     | Call  |
|                    |                  |            | Total      | 27,797,699    |       |

41. The above table excludes the remaining £1million deposit that is held with Lloyds Bank as part of the Local Authority Mortgage scheme (LAMS); the

deposit being held for a period of 5 years. The last one provides a rate of return of 1.97% and matures on 23 March 2018.

42. In addition to the investments the Council has a few loans in place, namely as at 31 March 2017:-

| Counterparty    | Rate/Return (%) | Start Date | End Date   | Principal (£) | Term    |
|-----------------|-----------------|------------|------------|---------------|---------|
| Amicus          | 3.78            | 04/09/2014 | 02/09/2044 | 1,788,235     | Fixed   |
| The Source      | 2.43            | 17/12/2015 | 17/12/2025 | 20,471        | Fixed   |
| Foreshore Trust | 1.66            | 21/03/2016 | 20/03/2026 | 243,900       | Annuity |

43. One loan of £127,000 to the Foreshore Trust was cancelled in March 2017 following the successful conclusion of the land swap at West Marina
44. No institutions in which investments were made during 2016/17 had any difficulty in repaying investments and interest in full during the year.

## Financial Implications

45. The security of the Council's monies remains the top priority within the strategy. Investment rates available in the market have continued at historically low levels and have fallen further during the last year. There has been new borrowing of £13.225m on which the borrowing costs are more than offset by the rental income received.

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## 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

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## 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  |
| Anti-Poverty                          | No  |

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## Additional Information

Treasury Management and Annual Investment Strategy 2016/17

Appendix 1 – Prudential Indicators

**Officer to Contact**

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**Appendix 1: Prudential Indicators**

The Council's Capital expenditure plans are the key driver of treasury management activity. The output of the Capital expenditure plans (detailed in the budget) is reflected in the prudential indicators below.

| PRUDENTIAL INDICATOR                                     | 2015/16 | 2016/17* | 2017/18 | 2018/19 | 2019/20 |
|--|---------|----------|---------|---------|---------|
| (2). TREASURY MANAGEMENT PRUDENTIAL INDICATORS           | £'000   | £'000    | £'000   | £'000   | £'000   |
| Authorised Limit for external debt - borrowing           | £20,000 | £35,000  | £65,000 | £75,000 | £85,000 |
| other long term liabilities                              | £10,000 | £5,000   | £5,000  | £5,000  | £5,000  |
| TOTAL  | £30,000 | £40,000  | £70,000 | £80,000 | £90,000 |
| Operational Boundary for external debt - borrowing       | £20,000 | £35,000  | £65,000 | £75,000 | £85,000 |
| other long term liabilities                              | £10,000 | £ 5,000  | £ 5,000 | £ 5,000 | £ 5,000 |
| TOTAL  | £30,000 | £40,000  | £70,000 | £80,000 | £90,000 |
| 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<br>Net principal re variable rate borrowing / investments OR:-                                  | 100 %  | 100%   | 100%   | 100%   | 100%   |
| Upper limit for total principal sums invested/deposited for over 364 days e.g.LAMS Scheme, Coastal Space | £5,620 | £6,000 | £9,000 | £9,000 | £9,000 |
| 2016/17* - revision to operational and authorised boundaries from £30m to £40m.                          |        |        |        |        |        |

| Maturity structure of fixed rate borrowing during 2016/17 | 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%          |