

# Audit Committee Agenda

**Thursday, 15 November 2018 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:  
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# Agenda Item 3 Public Document Pack

## AUDIT COMMITTEE

31 JULY 2018

Present: Councillors Rankin (Chair), Levane (Vice-Chair), Chowney, Charman and Louise

### 23. APOLOGIES FOR ABSENCE

Lateness was noted for Councillor Louise.

### 24. DECLARATIONS OF INTEREST

None.

### 25. MINUTES OF THE MEETING HELD ON 23 APRIL 2018

**RESOLVED** – (unanimously) that the minutes of the meeting held on 23 April 2018 be approved and signed by the Chair as a true record.

### 26. FINAL ACCOUNTS 2017/18

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), presented his report for the Audit Committee to approve the Statement of Accounts (2017-18) on behalf of the Council in accordance with the Accounts & Audit Regulations 2015.

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), said the audit had been completed significantly early, by 31<sup>st</sup> of July, instead of 30<sup>th</sup> of September to meet the revised statutory deadlines. He was pleased to confirm the report had achieved an unmodified opinion.

Councillor Levane raised the importance of the ‘implications’ listed in the report template. She said there are clear implications in terms of cohesion/human rights and asked why this was not addressed in the report? The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained this is a factual report which focuses on the variants/overspent/underspent and influences on the impact of the finances. If the public want to look at this, then the case has to be clear and concise enough.

Councillor Levane sought clarification on the investments in the pension fund. She asked whom does Hastings BC invest in local authorities? The Assistant Director, Financial Services and Revenues (Chief Finance Officer), said the pension fund is managed by East Sussex County Council, we have no say other than representation by District/Borough Councils. They have ethical investments which are constantly under review. We invest with banks and other local authorities and property funds.

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Banks and industries licensed as authorised institutions. (Refer to Treasury Management Policy – end year review and mid-year review).

Councillor Levane said Local Authorities could improve on reporting what they set out to achieve. Mr Lloyd-Thomas, BDO Partner, agreed, he said Local Authorities are behind. CIPFA have moved to full-blown annual reporting, but it is not a requirement at the moment for Local Authorities.

Councillor Levane asked for an explanation on investments with local authorities. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that these are short-term cash funds. Local Authorities are not credit rated but are considered safe. They use it to balance the books. Councillor Levane asked for an explanation on how it works: we lend to other local authorities and they pay principal and interest. The Assistant Director, Financial Services and Revenues (Chief Finance Officer) agreed this was correct.

Councillor Chowney added that Hastings BC loan Leeds Council money. It is a better rate of return than borrowing from a bank. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that you can only borrow money for capital. This is our own reserves we lend out. We can lend for temporary purposes for up to several years. Councillor Chowney asked why does it have to be capital, is it cheaper than borrowing from PWLB. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), said it may not be cheaper. We lend on short-term interest. It can be for short-term cash flow issues, they may have invested too much on revenue purposes.

Councillor Levane said if accounts are wrong by a certain amount, can we rely on a true/fair opinion? Mr Leigh Lloyd-Thomas said that to be materially right, errors must not exceed 2% of gross spend. If wrong by more, they are assigned a modified opinion. Due to the complexity in accounting, no one can say these days that the accounts are right to the penny.

Councillor Rankin referred to the Funding Gap: predicted deficits between 2018/19 – 2021/22. These accounts say the shortfall is getting greater by 2021/22. The Assistant Director, Financial Services and Revenues (Chief Finance Officer) agreed This year it is a £1.39m deficit, the following year it will be up to £1.9m and the year after that £2.4m identified to Cabinet. The Medium-Term Strategy will be updated on this in September.

Councillor Rankin asked if the authority could reach a stage of what is our core offer. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), said it is extremely difficult without cutting services to manage the budget. We reflect how long resources will last and how soon the income stream comes in. If government

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changes its statement regarding the fair funding scheme, we are unlikely to know how much we will get (County v Borough) until the next spending review in May/July 2019.

Councillor Charman asked if central government are observing the accounts of all local councils. The Assistant Director, Financial Services and Revenues (Chief Finance Officer) said they get all of our returns and are especially interested in our borrowing. He added that the National Audit Office had published a report that implied the government did not have a good enough grip on Local Authority finances but he is sure that they would be putting things in place now to put that right.

Councillor Chowney added to core offer that he wanted to see how much statutory service is required e.g. Environmental Health – number of food safety inspections. It is hard to refine the cost because the minimum level to meet statutory requirements is not defined (i.e. how often and how frequently).

Councillor Rankin referred to the expenditure, there is a big amount of money e.g. Clinical Commissioning Group (CCG). He asked how the flow of money works as there is a lot of money going in and out. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that CCG give us money upfront and is placed in reserves. We agree what objectives are in conjunction with CCG. They pay us to achieve these outcomes with other partner organisations. In this year there is £0.6 million in reserves. CCG give us money for health related initiatives e.g. for activities, access for health. Councillor Rankin asked if money was from the Central Government budget rather than CCG budget. The Assistant Director, Financial Services and Revenues (Chief Finance Officer) confirmed that it is Central Government money to CCG, they give us in return for an agreed programme. The money is for health prevention e.g. health hubs in community centres; alcohol prevention/smoking; active Hastings team e.g. sessions in gym. It is also used to assist fund homelessness, rough sleeping and mental health and some GP services.

Councillor Rankin asked what was happening with the White Rock Theatre? The Assistant Director, Financial Services and Revenues (Chief Finance Officer) explained that it is a re-negotiated contract for 2019. In expenditure terms, it goes down over six years to £150,000 per year in our contract with them. Hastings Borough Council pick up costs and maintenance. There will be £100,000 needed for maintenance but costs will be reduced going forward. Councillor Rankin enquired about £214,000 on regeneration activity – what kind? The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that regarding regeneration, it is Bohemia and also reviewing any other projects. The Funding team will be putting in bids.

Councillor Rankin congratulated officers for including information on the budget in the report improving transparency re: changes to PIER process. Savings are identified

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and put in the budget. He said it was fantastic information e.g. Harold place toilets, cleaning contract and councillors were now able to see how well it performed.

Councillor Levane proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Chowney.

**RESOLVED (unanimously) that 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.**

The reason for the decision was: 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.

### **27. BDO AUDIT COMPLETION REPORT - AUDIT FOR THE YEAR ENDED 31 MARCH 2018**

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), presented his report on matters raised by the Council's external auditors (BDO) in respect of their Governance Report. This includes the audit opinion of the Council's 2017/18 accounts, and their value for money assessment.

The report from BDO highlighted the risk based approach to the audit and the main risks they have identified. It also showed the proposed audit fees and Value for Money arrangements.

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), introduced, Mr Lloyd-Thomas, BDO Partner to advise on the plan and for the remainder of the year for closing the accounts.

Mr Lloyd-Thomas confirmed the unmodified opinion and explained the key findings in his audit report: Management Override, Land and buildings, Assets not to put revalue, Pension (although run by East Sussex county council) Heritage Assets and Arears.

Mr Lloyd-Thomas said he was happy with the statement of accounts and there are no deficiencies in control to report. He highlighted a couple of things the council could do better. He has kept a constant check on our reserves and concluded we have demonstrated a good track record.

He commended the finance team for their work during the last eight years.

Councillors thanked all staff involved in the preparation of the report and the audit. They extended thanks to Leigh Lloyd-Thomas for his work and commitment during his term as external auditor.

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Councillor Chowney proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Levane.

**RESOLVED (unanimously) that the Audit Committee accepts the report and action plan.**

The reason for the decision was: 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.

### **28. SYRIAN RESETTLEMENT PROGRAMME SLIDE PRESENTATION**

Simon Finlay, Syrian Refugee Programme Co-ordinator delivered a verbal presentation to the Audit Committee on the Syrian Resettlement Programme and how it operates in Hastings. Members asked questions and received answers.

The committee thanked all those who had contributed to the success of the programme.

### **29. SYRIAN REFUGEE RESETTLEMENT PROGRAMME REPORT**

The Chief Auditor submitted his report to inform the committee of the key findings from the recent Syrian Refugee Resettlement Programme audit.

The Chief Auditor said that PwC had been selected to review the Council's financial processes. The recommendations have been accepted and action plans put in place to address them.

Councillor Charman asked how the auditors were selected. The Chief Auditor explained that they had considered other auditors, however PwC are very timely, professional and work with other Local Authorities.

Councillor Rankin raised his concern regarding the phrase 'risks to the Council', where it said there are risks in handling cash.

He then asked for an explanation of the term 'granular performance monitoring'. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that 'granular performance monitoring' meant picking out distinct chunks – chunking down. This is looking down to different levels of activity and monitoring at those different levels.

He explained that PwC were selected following receipt of a number of quotes. The money for this audit had been allocated in the previous year's budget plan.

Councillor Rankin asked how much the cost was to audit? The Chief Auditor said it had cost between £8000 to £10,000.

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Councillor Levane asked for assurance that the actions noted in the report will be brought back to this committee. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), confirmed that matters are reported back to the committee by exemption. Councillor Levane said that she would be interested to see it followed through for monitoring purposes and she would address it outside of the committee if necessary.

Councillor Charman proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Louise.

**RESOLVED (unanimously) that the Audit Committee accepts the report.**

The reason for the decision was: This audit assignment was requested by the Audit Committee. The report summaries the findings from the review.

### 30. **CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT**

The Chief Auditor presented his report to the Committee of the key findings from the Debtors and Non-Domestic Rates audits. The review found that the controls in place were satisfactory and worked effectively, no significant audit concerns were raised.

Councillor Chowney proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Levane.

**RESOLVED (unanimously) that the Audit Committee accepts the report.**

The reason for the decision was: To monitor levels of control within the organisation.

### 31. **AUDIT COMMITTEE REPORT 2017/18 TO COUNCIL**

The Chief Auditor submitted his report to the Committee in the annual review of the effectiveness of internal audit.

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that due to the timings of the accounts, it would be beneficial to include the Council's accounts for 2017/18, to provide members with the latest version.

Councillor Charman proposed a motion to approve the report as set out in the resolution below, with the latest 2017/18 audit amendments, which was seconded by Councillor Levane.

**RESOLVED (unanimously) that the Audit Committee Report 2017/18 is approved for presentation to Council (to include 2017/18 minor amendments).**

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The reason for the decision was: Regulation 6 of the Accounts and Audit Regulations (England) 2015 requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings.

### 32. ANNUAL TREASURY MANAGEMENT REPORT 2017/18

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), introduced his report on the Treasury Management activities and performance of the last financial year. To ensure that members are fully aware of the activities undertaken, that Codes of Practice have been complied with and the Council's strategy has been effective in 2017-18.

Treasury management related to the council's investments, cash flow, banking, money market and capital market transactions. The purpose of the strategy is to minimise the risks associated with these activities and optimise performance.

The Assistant Director, Financial Services and Revenues (Chief Finance Officer), explained that last year's actions revolved around funding/external debt. It is our intention to borrow more this year and next, once the statements have been approved next year. There is no need to amend this year's Treasury management strategy. We will be borrowing more when interest rates are low. We may use our own investments but that remains a future decision.

Councillor Levane asked for clarification on the amounts of individual loans. She questioned whether it was because of the maturity of loans? The Assistant Director, Financial Services and Revenues (Chief Finance Officer), confirmed it was.

Councillor Chowney raised his disappointment that the leader of opposition didn't call the report for discussion at Council. He said it appeared to be custom in previous years. As neither leader called the report, he said he felt it was unfair on officers who had put the report together. Councillor Rankin said he was not aware of this custom and would raise it with his party.

Councillor Rankin said he was concerned regarding the phrase 'take view on macro markets' and 'borrow as much as can'. He said it is about return, money is not cheap and he was concerned it is not invested. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), said the interest rates were set to go up. If we go to market we have to sell assets to afford. We need to reduce services. We borrowed at 2.5% this year. You have to meet borrowing costs but even so, it is definitely time to be fully borrowed. To do otherwise, you would risk everything.

Councillor Chowney explained that if the opportunity presents itself and sums work out we must borrow. If, say, one of our tenants goes bust, we either let the premises to someone else or build houses. We don't know what the future holds.

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Councillor Rankin said the role of the committee is to look at risks, if the deal goes wrong how do we reverse out of it. The Assistant Director, Financial Services and Revenues (Chief Finance Officer), said we should not borrow in advance of need.

Councillor Levane proposed a motion to approve the report as set out in the resolution below, which was seconded by Councillor Chowney.

**RESOLVED (unanimously) to consider the report – no recommendations are being made to amend the current Treasury Management Strategy as a result of this particular review.**

The reason for the decision was: 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 2017-18.

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

### 33. **NOTIFICATION OF ANY ADDITIONAL URGENT ITEMS (IF ANY)**

None.

(The Chair declared the meeting closed at. 8.24 pm)

# Agenda Item 4



**Report to:** Audit Committee

**Date of Meeting:** 15 November 2018

**Report Title:** Risk Assessment of a No Deal Brexit

**Report By:** Simon Hubbard  
Director of Operational Services

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## **Purpose of Report**

The purpose of this report is to inform the Audit Committee of the risk assessment made of a No Deal Brexit.

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## **Recommendation(s)**

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

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## **Reasons for Recommendations**

Increasing public speculation in the recent past that there might be a higher risk of a No Deal Brexit and so the council needs to demonstrate that it is prepared for that possibility.

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## Introduction

1. Owing to public pressure in the last few months as the prospect of a No Deal Brexit was increasing as a possibility, a large number of public and private organisations are currently assessing the risks that such an event might expose them to directly or through wider impact on society.
2. This report sets out a risk assessment to those risks that might impact on Hastings Borough Council.

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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: Risk Assessment of a No Deal Brexit.

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## Officer to Contact

Officer Name: Simon Hubbard  
Officer Email Address: SHubbard@hastings.gov.uk  
Officer Telephone Number: 01424 451774

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# Risk Assessment of the No-Deal Brexit

## Introduction

1. At the time of writing, it appears possible that the UK will leave the European Union without agreement being made about future relationships. A large number of public and private organisations are currently assessing the risks that such an event might expose them to directly or through wider impact on society.
2. The area is a highly political one and it is important to try and assess risk as neutrally as possible. The council is not able to address many of the issues itself, but may well have to respond to them. Hastings is not typical of the UK in several ways which merit particular attention:
  - An economy which relies heavily on tourism, particularly from overseas, with the majority of these from EU countries, and as part of this, foreign language schools
  - Home to a high profile under ten metre fishing fleet
  - Significantly higher levels of poverty and ill health than the average
  - Predominantly a small business economy
  - A substantial care industry
  - Traditional success in obtaining European funding for economic, cultural and social inclusion projects.
3. Government guidance has been recently published on the impact of a no deal exit.
4. The Hastings area voted narrowly in favour of leaving the EU and opinions and attitudes amongst residents are likely to continue to be divided through the exit process. A “re-run” referendum might raise the tensions within the community as might a disorderly exit.

## Risk Types

5. Risks have been divided into categories:
  - Strategic and Policy
  - Impact on communities
  - Impact on the economy
  - Impact upon the council.

## Chief Risks

6. The successor funding regimes to European programmes might be more narrowly focussed and have lower value than current programmes. Additionally the council may lose the ability to work as a lead partner in a programme or bit independently depending upon future arrangements.
7. An economic downturn might postpone or delay infrastructure investment in projects like the extension of high speed rail to Hastings, Bohemia and the next stages of A21 improvements.
8. An economic downturn may adversely impact the current finances. For instance the take up of its land holdings may fall and anticipated developments become more difficult to move forward. The council depends upon asset disposal and income earned from developments to deliver its services.
9. Local business performance is impacted leading to a fall in cross added value and potentially loss of jobs in local companies.
10. Hastings tourism industry, which has been focussed on high value overnight visitors often from the continent, is impacted by both travel restrictions and a negative image in the mind of European customers. This could be particularly significant in respect of the language schools, if parents/guardians of students perceive their children will be unwelcome here. The language school business is worth an estimated £30m to the town.
11. An increase in poverty if there is an economic downturn. This might also impact upon demand for council services.
12. There might be difficulties in both the private and public sectors in obtaining suitable employees. Of particular concern to the public sector would be shortages of care staff, medical staff, teachers and others. There would be no short-term way to produce high numbers of qualified staff from within the UK. This might put added pressures on the council and particularly our staff and their families. A downturn in education or medical service is likely to be reflected in staff absence to deal with the needs of family, particularly children.
13. There is a risk of food and medical supplies being subject to shortfall. Government and NHS are looking at the medical issues because of concerns that access to drugs might be difficult at least temporarily. How customs operate at Dover/Folkestone/Newhaven/Gatwick and other key transport hubs will be key in the ultimate level of risk.

14. There is a risk of heightened tension of different kinds and certainly there was a sharp increase of reported incidents made to the Police after the Brexit vote by people who had been abused or assaulted because they were or were thought to be citizens of other EU states. This should be taken seriously. There is a risk of this and of more widespread disorder though in a Hastings context this might not appear to be as likely.

### Other Brexit Options

15. A negotiated settlement may or may not bring elements of risk and certainly there is a strong argument that there will be an economic downturn at least in the early years after Brexit. A diagram below produced by the Cabinet Office gives a brief outline of options currently being discussed.

		Access to the Single Market in goods and services									
		Votes on EU law	Tariff-free trade	Customs Union and external trade	Level playing field for business	'Ever closer union'	Justice and Home Affairs (JHA)	Free Movement of People	Schengen border-free area	Contribution to EU financing	Eurozone membership
UK membership of the EU								a)		b)	
Standard EU membership											
Norway (non-EU EEA)											
Bilateral Agreements	Switzerland										
	Canada										
	Turkey										
WTO membership			c)		d)						

Legend	
Full	
Partial/voluntary/special arrangement	
None	

(from 'Alternatives to membership – possible models for the UK outside the EU', Cabinet Office, March 2016)

### Conclusion

16. The issues facing us are national ones. In different places they will be felt to greater or lesser degrees if a no deal Brexit occurs. The council's ability to influence most of them is in reality very limited.
17. The draft risk plan identifies a number of issues and proposed mitigations. If members accept these CMG should be asked to take these issues forward with partners. There are limits to organisational capacity and it is proposed that other East Sussex Councils and the Sussex resilience Forum are contacted about the possibility of joint work around the major strategic risks.
18. The council's financial planning should also plan for the potential impact of a reduction in income and increased costs as these issues become clearer.

## **Implications**

19. These issues has implications for the following

- The economy/council finances
- Community Safety
- Organisational consequences.

These are covered in the report and attached draft risk register.

### Strategic and Policy

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
The council's access to European funding reduces. The Boroughs capacity to work independently within East Sussex, SELEP and national structures is also reduced.	M	H	H	It is likely the ability to develop and seek support for Hastings focused and led projects will be diminished. The current systems allow the council to work in and out of different funding programmes. Post Brexit it is possible reduced funding will be more narrowly focused and access for districts reduced by strengthened regional structures.	Leader CMG	Ensure Hastings is effectively represented at county and regional partnerships.  Resources invested in leading projects on behalf of partners.  Maintain lines of dialogue outside formal structures.  Ensure strategic fit of future.
Urban and northern focus of UK Government results in loss of the current limited focus on the coast.	H	H	H	It seems likely that LEP and regional structures together with city regions and mayors will be dominant if resources are restricted. Funding will not focus the south of England.	Political Leadership  Directors	It will be critical to renew the structure of coastal and regional partnerships we operate in order to maximise influence and benefits.
Economic downturn prevents major capital projects like high speed rail extension to Hastings or Town Centre/Bohemia proceeding.	M	H	H	Huge if this happens. Return in investment is already better for projects close to urban areas/big development areas.	Political Leadership  Directors  Regeneration	To work with partners at all levels to advance our case.

**Impact on communities**

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
An increase in inter-community tension caused by friction around exit or a re-run referendum.	H	M	H	The individual impact of a hate crime will be high for the victim(s). The impact on community relations will depend upon both the number/nature of incidents and how they are responded to.	Members CMG Staff Police	The council should work with community partners, police and others to prepare and inform the town and campaign for an open and inclusive Hastings. Partners need to make clear the zero tolerance for hate crimes.
More widespread disorder.	L	H	M	It seems unlikely a major political disorder would take place given the town's history. However, if this does, this could be very damaging to community relationships and the town's reputation.		Work with Police and other partners to monitor tensions.
An increase in poverty if there is economic downturn.	M/H	M/H	H	Potential for increased benefit dependence, unemployment, and child poverty. Possible increase in homelessness. However this is challenging to quantify.	LEP DWP Councils	It is impossible to predict the economic impact on specific communities at this stage. It is critical that both county and Hastings based welfare and housing partnerships work in a coordinated way to understand increases and changes in the

						nature of poverty
Tensions between predominantly exit and remain communities.	M	M	M	There is little real dialogue (rather than argument) about the impact of Brexit nationally. We know divisions exist in class, age, gender and ethnic grounds. Evidence of high levels of disillusion amongst white working class communities.	Political leadership	Irrespective of Brexit outcome to be more relevant to communities in Ore Valley, Downs Farm, Hollington, Central st Leonards etc. is needed. CHART CLLD offers a platform but a significant new dialogue about the future of these communities is overdue.  Promote positive images in media.
Food, medicines and other critical supplies are not imported from the continent and supplies run out/short supply.	Not known	H	Unkn own	If this appears likely there might be panic and disruption. There might be the need for rationing. The severity would depend on what was unavailable and particularly the duration of any shortages.	Director	Unknown. The council would need to work with national and local agencies to address this risk. The council would expect national markets to be produced and co-ordination of efforts by the Sussex Resilience Forum.
Loss of opportunities for external funding may impact deprived communities. Alternatively	M	H	H	A downturn and reductions in public expenditure will mean social projects funded through the EU will not be replaced or be partially replaced.	Political leadership  CMG	Work with other LAs, health and partners to lobby for successor funds to

funding could be focused on other priority themes and areas, not applicable to Hastings socio-economic profile						current European social programmes. Use CLLD as a platform to influence MCLG and SE LEP on needs of coastal communities. Collaboratively work with our coastal and regional partners
Loss of external funding may lead to council job losses.	M	M	M	Dependent on successor funding the council may be forced to declare posts redundant that cannot be funded going forward.	CMG	To work to minimise redundancies by funding alternative job opportunities in the council where this is possible – particularly where existing programmes are ending and there appear to be no immediate UK successors.
Adverse impact on fishing industry.	L	H	M	The fishing community has argued for Brexit and/or reduction of regulations on the Hastings fleet. A no agreement exit might mean restrictions are lifted. Boats from the rest of UK might fish locally if denied access to European waters.	Regeneration/ Economic Development	To review as the impact of exit becomes closer. To lobby as appropriate in favour of sustainable fishing practices.

### Impact on the economy

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
Drop in local gross	H	M	H	The LSE has estimated that	CMG	Research this

domestic product and gross added value.				Hastings will lose 1.2% of GVA on a soft exit and 2.1% on a hard one. No agreement could potentially be worse. Impact on local companies and employment.		further. Work with LOCATE, Chamber and ES partners to assess and mitigate impact.
Tourist industry hit by both travel issues and image of a welcoming place.	H	M/H	H	The reduction in visitors, who are higher spending than domestic visitors, and particularly European students. Substantial local impact. Job losses.	Regeneration	To assess risk and to come forward with plans to promote Hastings to language schools, etc. Some work might be undertaken jointly.  To re-assess approach to monitoring to ensure Hastings is maintaining its position in partnership with 1066 partnerships.  To consider how cultural offer is developed in these circumstances.
Local firms that export to or import from Europe may be adversely affected.	M	M	M	Difficult to scale.		Seek research in partnership with business, Sussex Chamber, ESCC and LOCATE to identify this risk across East Sussex.

### Impact on Council

Potential Risk	Likelihood	Impact	Score	Potential Impact	Responsibility for controls	Mitigation
Economic downturn could delay sale of the council's land assets and/or delay the development of council owned sites and the council could be forced to sell sites at lower values.	M	M/H	H	It is not possible to seek the size and duration of any economic downturn. However, development projects in Hastings are often more marginal in Hastings than elsewhere in the region. The council has an asset disposal programme which is key in financing ongoing expenditure.	CMG to review	The council will need to consider the economic and social value of projects and seek funding where this is impossible. Projects delayed until market picks up.
Economic downturn could lower the return on council investments.	M	M	M	Income the council is anticipating drops.	Finance Officer	To review investment programme.
Future procurement rules are more complex or are unclear.	M	M	M	This may be beneficial if EU procurement is replicated with something less burdensome. However, there can be no guarantee of this	Legal Services Finance	To ensure HBC conforms to new regulations as they are introduced
Pressure on services increases in poverty and unemployment rise as part of a downturn.	M	M/H	H	Again, this is impossible to predict. Pressure on Housing and Benefits and Community Contact Centre could be serious. Additional need for grant aid to advice services like CAB may be called for.	CMG	To work in partnership with East Sussex partners if crisis in welfare or homelessness emerges.  To review staffing as appropriate to lobby Government for resources if such problems can be realistically anticipated and

						scaled.
From 30 March EU nationals will not have rights to vote unless an agreement is made, affecting electoral roll.	H	L/M	M	The role would need to be reviewed with potential staff impact.	Returning Officer	To review role if required.
Customs clearance arrangements might impact contractors delivering major projects to the point projects are delayed.	M	M	M	Unknown.	CMG	Ensure staffing issues explored when issuing contracts.
The council does not understand the changes that will take place that might give opportunities or challenges for local businesses.	H	M	H	To be assessed. It is clear that other councils like Dover in Kent have begun to assess this in more depth. This is something that might be approached with East Sussex/Team East Sussex partners.	CMG	To discuss with partners to examine how this can be taken forward for Brexit work.
Drop in demand for services if population decreases.	L	L	L	It is difficult to assess without research to establish the level of demand from EU citizens or a clear view of the numbers likely to leave.	CMG	If demand dropped sufficiently staffing would need reviewing yet this seems relatively unlikely.

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# Agenda Item 5



**Report to:** Audit Committee

**Date of Meeting:** 15 November 2018

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

**Report By:** Tom Davies  
Chief Auditor

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## **Purpose of Report**

To inform the Audit Committee of the key findings from the Council Tax, Creditors and Petty Cash audits.

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## **Recommendation(s)**

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

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## **Reasons for Recommendations**

To monitor levels of control within the organisation.

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## Summary report to Audit Committee

### Council Tax

#### Introduction

This audit was undertaken as part of the approved audit programme. The last full audit of the Council Tax system was in February 2016 by Mazars LLP when the Service was given a full assurance.

For the year 2017/2018 the collectable Council Tax debt was £47,574,768 from 43,469 rated properties. The figures for collectable Council Tax debt will fluctuate throughout the year along with the number of banded properties. The in-year collection rate achieved for 2017/2018 was 95.1%. The in-year collection rate is the amount of council tax due for the financial year that was received by 31 March of the year in question, shown as a percentage of the net collectable debit in respect of that year's council tax.

#### Audit Conclusion

##### **Overall Audit Assessment: A – Good**

Controls are in place and work effectively.  
There are no significant audit concerns.

#### Key Findings

1. The Council Tax system is administered effectively and efficiently.
2. The level of Council Tax debt is rising year on year.
3. The contribution of the Contact Centre to Council Tax work is developing to the satisfaction of all.

#### Management Response

We agree with the report and its findings.

# Summary Report to Audit Committee

## Creditors

### Introduction

The audit was undertaken as part of the approved 2018/2019 audit programme. The last full audit of the creditors system was in 2016 although supplementary audit work and testing is carried out every year as part of the International Audit Standards work for the external auditors.

For the year from 1 April 2017 to 31 March 2018, 14,957 creditor payments were made amounting to £26.8 million. This compares with 11,244 creditor payments totalling £24.9 million for the financial year for the financial year 2014/15.

The finance system used by Hastings Borough Council is called Unit4 Business World (Unit4BW). This is an upgrade to Agresso, the previous financial system. Unit4BW came into operation at the beginning of April 2018.

Due to the implementation of the new finance system audit has carried out additional testing in Unit4BW to gain assurance that the system and processes are working correctly.

Although the Council is no longer required to report on performance to the Government it is imperative that the creditors system is administered accurately and efficiently to ensure that invoices are paid both correctly and promptly.

### Audit Conclusion

#### Overall Audit Assessment: A – Good

There are no significant audit concerns with most controls in place and working effectively.

No high recommendations are made.

### Key Findings

The Creditors system is administered effectively and efficiently.

There has been a period of adjustment following the recent upgrade from Agresso to Unit4 Business World however this has not caused significant issues.

Working practices are continuing to be reviewed by management with a view to improving the service as Unit4 Business World is fully rolled out.

For the year from 1 April 2017 to 31 March 2018, 14,957 creditor payments were made amounting to £26.8 million. This compares with 11,244 creditor payments totalling £24.9 million for the financial year 2014/15.

### Management Response

We agree with the report and its recommendations.

## Summary Report to Audit Committee

### Petty Cash

#### Introduction

A reconciliation between petty cash float balances and Agresso records was last undertaken in November 2011. At that time, 18 individual petty cash floats were in operation with a total float value of £3,360. This audit has found that only 6 petty cash floats are currently in use within the following services:

Housing (General)  
Housing (Syrian Refugees)  
Cemetery and Crematorium  
Business Support  
Museum  
Revenues and Benefits

The total float value for all accounts is now £2,195.

The audit has also found that the value of petty cash reimbursements claimed by the above services has notably increased from £5,544 in 2015/16 to £13,433 in 2017/18. This increase can largely be attributed to petty cash funds being made available via Housing Services in order to assist with supporting Syrian refugees from April 2016.

It is therefore important that petty cash provisions for each department are regularly reviewed to ensure that usage is still necessary, imprest limits are proportionate and transactions are recorded accurately.

#### Audit Conclusion

##### Overall Audit Assessment: B – Satisfactory

Most controls are in place and work effectively. Some improvements are recommended to ensure best practice and efficiency. Further changes are recommended in order to ensure policy compliance is introduced. Main audit concerns were the lack of both policy guidance for administering petty cash and also control records for petty cash payments in some departments.

#### Key Findings

Currently, 6 petty cash floats are in use within the following departments:

Housing (General)  
Housing (Syrian Refugees) #  
Cemetery and Crematorium  
Business Support  
Museum  
Revenues and Benefits

# Although the amount within the cash tin is kept at a constant level and funds are received through the imprest system it is not used as an accessible store of money kept by an organization for expenditure on small items.

Petty cash reimbursements claimed by the above departments has notably increased from £5,544 in 2015/16 to £13,433 in 2017/18. This increase can largely be attributed to petty cash funds being made available via Housing Services in order to assist with supporting Syrian refugees from approximately April 2016.

The Council does not have its own detailed guidance or policy relating to the use or administration of petty cash. Audit recommends that a policy is introduced to aid administration efficiency and reduce the risk of fraud and error.

Petty cash control records were not maintained by some departments. This was rectified during the course of the audit.

Calculation of Value Added Tax (VAT) has proven problematic for petty cash holders, as they have found it difficult to identify items on purchase receipts that were inclusive of VAT. Audit have recommended that a simple guide to VAT is produced in order to ensure reimbursements are correct and VAT figures are correctly recorded on vouchers and petty cash control sheets.

Audit was satisfied in general that the vouchers it examined were for valid business purposes.

## **Management Response**

We agree with the report and have put an action plan in place to address the recommendations.

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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**

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**Officer to Contact**

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# Agenda Item 6



**Report to:** Audit Committee

**Date of Meeting:** 15 November 2018

**Report Title:** Annual Audit Letter 2017/2018

**Report By:** Tom Davies  
Chief Auditor

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## **Purpose of Report**

To formally confirm that the Annual Audit Letter 2017/2018 has been noted by the Audit Committee.

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## **Recommendation(s)**

- 1. That the report be noted.**

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## **Reasons for Recommendations**

The Annual Audit Letter is for all councillors and posted to the Council's website. It is of particular interest to those charged with governance.

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## Introduction

1. The Annual Audit Letter 2017/2018 prepared by BDO is one of the external auditor's key outputs. It was received during August 2018 and circulated to the Audit Committee on 31 August 2018. It was also posted to the Council's website for public and councillors' view.
2. The report and its key findings were agreed and accepted by senior management.

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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

[https://www.hastings.gov.uk/content/my\\_council/budgets\\_finance/budgets\\_finance/Annual\\_Audit\\_Letter\\_2017-18.pdf](https://www.hastings.gov.uk/content/my_council/budgets_finance/budgets_finance/Annual_Audit_Letter_2017-18.pdf)

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## Officer to Contact

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