

Audit Committee Agenda

Thursday, 29 July 2021 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 Democratic Services on 01424 451484 or email:
democraticservices@hastings.gov.uk

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1.	Apologies for absence	
2.	Declarations of interest	
3.	Minutes of the last meeting	1 - 4
4.	Notification of any additional urgent items (if any)	
5.	Grant Thornton Audit Completion Report <i>(Peter Grace, Assistant Director, Financial Services and Revenues Chief Finance Officer)</i>	Verbal update
6.	Audit Committee Report to Council 2021 <i>(Tom Davies, Chief Auditor)</i>	5 - 12
7.	Annual Governance Statement <i>(Tom Davies, Chief Auditor)</i>	13 - 34

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Agenda Item 3 Public Document Pack

AUDIT COMMITTEE

2 JUNE 2021

Present: Councillors Rankin (Chair), Battley (Vice-Chair), Beaney, Sinden and Chowney (substituting for Councillor Forward)

109. APOLOGIES FOR ABSENCE

Apologies received from Councillor Forward.

110. DECLARATIONS OF INTEREST

None received

111. MINUTES OF THE LAST MEETING

RESOLVED – that the minutes of the meeting held on 12th February 2021 be approved as a true record.

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

None.

113. DRAFT RISK REGISTERS

The Chief Auditor reported to the Audit Committee of the risks and countermeasures in place for the council and to comment on the new format of the draft risk registers.

The Risk Registers are still in draft and the new process is still a 'work in progress' but it is important that councillors and particularly the Audit Committee are informed of the risks without more delay. It is recognised that there is an important need for refresher training, particularly to cover the key principles of risk avoidance and risk mitigation. It is planned for training for Managers and supervisors to be held with Zurich Risk Management Services in September or October. The Transformation Manager gave the committee an overview of the functionality of the risk register.

The chair accepted an offer from the chief Auditor for Directors to come to an Audit meeting in the future and speak with the Committee about specific risks and why they feel they are risks.

Councillors discussed the time scale between risk management training and would like to have a shorter period between training.

The committee reviewed the draft risk register and discussed the colours used in the layout of the Risk Register. The Senior Transformation Officer explained to the committee that this is a Risk Register is in draft form now and the colour layout is up for review if the committee would like it to be different.

AUDIT COMMITTEE

2 JUNE 2021

The chair asked regarding minimum reserves. The Assistant Director Financial Services & Revenues explained that the council is at present just above the minimum as determined at Budget Council in February 2021, but going forward there is a possibility of falling below the minimum recommended levels by the end of 21/22 .

RESOLVED (unanimously)

1. To review the risks and comment as appropriate.
2. To provide feedback on the new format of the draft risk registers

Reasons

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

114. PROPOSED INTERNAL AUDIT PLAN 2021-22

The Chief Auditor presented the reports to the Audit Committee to consider the proposed internal audit plan for 2021/22.

The councillors requested to see in the Audit Plan how external contracts are tendered and the procurement of the contracts. The committee discussed having on the Audit plan the use of local companies. The Chief Auditor explained to the committee that purchases over £5k are reviewed to see if they can be made locally. The Chief Auditor explained to the committee that a report can be brought to the committee at a later meeting in the year and it can be added to the Audit Plan. The Chief Finance officer advised that there is very limited scope to amend the plan as there were key audits outstanding from 2020-21 and that there are very reduced resources within the existing Internal Audit team. He advised that the completion of the audit plan was dependent upon significant work being outsourced or additional temporary staff being secured.

The councillors discussed the Payroll audit and use of agency staff. It was highlighted that the council are current employing a senior planner from an Agency at a high cost. The Chief Finance officer explained the difficulties

The committee discussed possible fraud with the level of business grants being distributed by the Council and whether the associated work should be included in the internal Audit Plan. The Assistant Director Financial Services & Revenues explained that the council is only aware of one significant potential fraud case which is being dealt with at the moment and there have been no reports made by the Council to BEIS of evidence of organised fraud. The Chief Auditor suggested business grant fraud is not added to the Audit plan but the committee be kept up to date on the progress.

AUDIT COMMITTEE

2 JUNE 2021

RESOLVED (unanimously)

That the Audit Committee approves the Internal Audit Plan 2021/22

Reasons

To ensure that proper financial management arrangements and controls are in place and operating effectively in the Council.

Audit Committee approval of the Internal Audit plan provides clear authority for Internal Audit to discharge the assignments listed therein and enable monitoring of the efficiency and effectiveness of Internal Audit.

115. CHIEF AUDITOR'S SUMMARY AUDIT AND RISK REPORT

The Chief Auditor reported to the Audit Committee the key findings from the Council Tax Reduction Scheme audit. The Audit assessment is A – Good with some minor improvements possible to ensure statutory compliance, best practice and efficiency.

The Assistant Director, Financial Services and Revenues updated the committee with figures to date of 9507 claimants on the Council Tax Reduction Scheme, costing £11.277 million in a full year. 6138 working age claimants and 3369 pensioners claiming.

RESOLVED (unanimously)

That the Audit Committee accepts the report.

Reasons

To monitor levels of control within the organisation.

(The Chair declared the meeting closed at. 7.30 pm)

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Agenda Item 6



Report to: Audit Committee

Date of Meeting: 29 July 2021

Report Title: Audit Committee Report to Council 2020/21

Report By: Tom Davies
Chief Auditor

Purpose of Report

To agree the report from the Audit Committee to Council on its annual review of the effectiveness of Internal Audit.

Recommendation(s)

- 1. That the Audit Committee Report to Council 2020/21 is approved for presentation to Council**

Reasons for Recommendations

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.

Background

1. Regulation 6 of the Accounts and Audit Regulations (England) 2015 requires Local Authorities to conduct a review at least once a year of the effectiveness of its system of internal control and publish a statement on internal control each year with the authority's financial statements.
2. This report, which follows the format recommended by the Chartered Institute of Public Finance and Accountancy, sets out the review of internal control and the assurance gathering process as required by the statute and accompanying guidance.
3. In addition, Regulation 6 of the Regulations requires relevant bodies to conduct an annual review of the effectiveness of its system of internal audit and for a committee of the body to consider the findings. Proper practices in relation to internal audit for relevant bodies may be found in the "Public Sector Internal Audit Standards". We have carried out a self-assessment and believe we are generally compliant.

Principal statutory obligations and organisational objectives

Responsibility for Statutory Obligations

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

Organisational objectives and priorities

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

Performance against planned outcomes

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

Identifying principal risks to achieving the objectives

10. 'Risk' is any obstacle, or potential obstacle, to the achievement of the Council's priority objectives or statutory duties. The purpose of risk management is to ensure the achievement of the Council's objectives with efficient use of resources.
11. By identifying high-risk groups or areas, corporate policies and service resources can be targeted on those groups or areas.
12. The Council has a formal Risk Management Framework that was approved by Cabinet. The Framework is designed to encourage managers to 'own' the risks associated with their areas of responsibility. Managers use a corporately agreed matrix for identifying and assessing risks and controls.
13. The council continues to ensure the identification of key risks from both a strategic and operational perspective. Using a process of self-assessment, senior management re-assessed the strategic risks (those to service provision, statutory compliance, and reputation) and services assessed operational risks (financial, physical and contractual risks).
14. During 2020/21 both the Strategic Risk Register and Operational Risk Registers were kept under review and started to be migrate to Dashboard towards the end of the period. This is still a work in progress but the new format has many advantages including efficiency and control.
15. Council has approved Terms of Reference for the Audit Committee giving it a clear remit to,

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

Key controls for managing principal risks

17. To ensure that its controls are fully up to date with the current operating environment, Financial Operating Procedures provide the framework within which Councillors and Officers must operate and compliance is routinely checked through audit reports to the Audit Committee.
18. In addition, the Council has these controls in place:
 - a. The Council has adopted the CIPFA Code on Treasury Management to ensure compliance with the Prudential Code.

- b. An Anti-Fraud and Anti-Corruption Strategy (Fighting Fraud Locally).
- c. A Whistle-blowing Policy.
- d. Codes of Conduct for Councillors and Officers.
- e. Registers of Interests for Councillors and Officers.
- f. Risk Registers (reviewed by Audit Committee) are updated on an ongoing basis.
- g. Performance is monitored through quarterly Performance Reviews.
- h. A Corporate Health and Safety system of monitoring and review is in place.
- i. A Corporate compliments and complaints procedure operates.

Sources of assurance

19. Sources of assurance on the adequacy and effectiveness of the Council's controls over key risks include:
20. a. An Audit Committee that is a fully constituted Committee of the Council.
- b. An Internal Audit and Investigations service that is independent in planning, operating, and reporting, and that reports to the Audit Committee.
 - c. A Chief Finance Officer with responsibility for ensuring the proper administration of the Council's financial affairs.
 - d. Processes for maintaining internal control include a framework of regular management information, Financial Rules and Finance Operating Procedures, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.
 - e. A performance management system that includes commentary on service-level risk, the setting of targets for service delivery and monitoring of performance against targets and plans.
 - f. A strategic Corporate Plan setting out the Council's priorities, which cascades to operational plans at service and project level, including consideration of risks.
 - g. An annual budget and quarterly reviews of actual expenditure to budget.
 - h. A Local Code of Corporate Governance agreed by Cabinet.
 - i. A project management methodology for major projects.
 - j. A Risk Management Framework.
 - k. Declaration of related party transactions forms for Councillors.
 - l. Codes of Conduct for Councillors and Officers.

- m. A Staff Health & Safety Group that monitors insurable and public liability risks.
- n. A Corporate Risk Management Group that meets periodically.
- o. Risk management processes designed to ensure that Assistant Directors and Managers retain ownership of the risks and internal controls associated with their areas of responsibility. Assistant Directors and Managers are therefore an important source of assurance on the effectiveness of controls for managing risks.
- p. The Internal Audit service carries out audit and risk reviews of high-risk areas to provide assurance that major risks have been identified and are being actively managed, and that the internal control environment is adequate.
- q. The Assistant Director Financial Services and Revenues (Chief Finance Officer) in his role provides a source of assurance that the requirements of the Local Government Act 1972 Section 151 are being met.
- r. The Monitoring Officer, undertakes the relevant statutory duties and provides a source of assurance that the Council's affairs are conducted in compliance with relevant legislation and Codes of Conduct.
- s. External audit provides a source of assurance on the operation of internal controls in that Grant Thornton LLP inspects internal audit work at each annual external audit.

Evaluation of assurances and identification of gaps

Internal Audit

21. It is not possible to state a supported statement that all control systems are 'satisfactory'. However, based on the:

limited audit work carried out where controls were 'satisfactory' or better

fact that 100% of staff were able to work from home in a secure way within less than a week of the first lock down being announced (apart from a handful whose home internet had problems)

enquiries made with service managers, for example, that we are not facing any significant litigation and that controls against cyber attacks are being continually improved.

review of the risk registers

22. There is not any reason to believe that controls are unsatisfactory or worse.
23. There In financial systems, the audit aims to evaluate the strength of controls for ensuring the proper administration of financial resources. In the audit of non-financial areas, the audit aims to evaluate the strength of controls for ensuring that

external obligations are met and that the success criteria of the activity under review are achieved. The following table shows the audit conclusion for the audits that were published as a final report in 2020/21.

24.

Audit Conclusion	No of Audits
A: Good More than the key controls are in place and work effectively. While improvement may be possible, there are no significant audit concerns	1
B: Satisfactory The key controls are in place and work effectively. Improvement is possible but there are no significant audit concerns	2
C: Adequate but with reservations in some areas Some controls in place are adequate but there are audit concerns in some areas	0
D: Poor Controls are not adequate or not present or not adequately complied with. Improvement is essential	0
Total audits	3

25. This compares with previous years as follows:

Audit Conclusion	2017-18	2018-19	2019-20	2020-2021
	No of audits	No of audits	No of audits	No of audits
A, B: Good / Satisfactory	7	8	1	3
C, D: Adequate / Poor	0	0	0	0

26. The Internal Audit Service was able to complete only a small portion of the audit plan before 31 March 2021 partly due to:

1 member of staff working on secondment to the 'Income Manager' project

the effect of Covid19, for example, staff needing to self-isolate

unexpected long term absence and

the need for audit to perform pre-assurance checks and post assurance checks on business grants payments

27. It has been recognised that there is a need to take remedial action and catch-up with the core work not discharged from the audit plan. This is captured on both the Strategic and Operational Risk Registers.
28. Further resource has been allocated and enquiries made for support.
29. The audit conclusions are defined in the service's own Internal Audit Manual.
30. Based on the audit work, observations and enquiries undertaken by Internal Audit, it is still not possible to give a supported audit opinion but there is no reason to believe it is unsatisfactory or worse.

External Audit

31. External audit is carried out by Grant Thornton LLP and is an important source of assurance on the adequacy of the Council's arrangements for ensuring proper arrangements for its financial affairs. During 2020/21 the Audit Committee received the following reports:

32. Report Title	Date Issued
External Audit Plan Update - Year Ending 31 March 2020 *	January 2021
External Audit Completion Report - Audit for the Year Ended 31 March 2020 *	February 2021

33. * Both of the above reports were 'situation reports' explaining what the impact of covid19 had on completion of their work.
34. Grant Thornton said it needed to reserve its final opinion in the report above issued in February 2021, but it stated that on the Financial Statements:

"Our anticipated audit report opinion will be unqualified but will include an 'Emphasis of Matter' paragraph highlighting the 'valuation material uncertainties' in relation to property, plant and equipment valuation and property investments held by the pension fund".

And on its value for money opinion stated:

"We therefore anticipate issuing an unqualified value for money conclusion".

Areas of audit concern arising from internally conducted audits

35. There were no major concerns arising from internally conducted audits.

Risk Management

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

Wards Affected

None

Policy Implications

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

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

Additional Information

External Audit Plan Update - Year Ending 31 March 2020

External Audit Completion Report - Audit for the Year Ended 31 March 2020 (not final)

Officer to Contact

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Agenda Item 7



Report to: Audit Committee

Date of Meeting: 29 July 2021

Report Title: Draft Annual Governance Statement 2020/21

Report By: Tom Davies
Chief Auditor

Purpose of Report

This report produces the Annual Governance Statement for the financial year 2020/21. The Annual Governance Statement provides an assurance on the adequacy of the Council's control and governance mechanisms and includes actions to improve the governance framework.

Recommendation(s)

- 1. That the Audit Committee considers the draft statement for providing comments to the Leader and the Managing Director before they sign the Annual Governance Statement 2020/21**

Reasons for Recommendations

To comply with our statutory duty to produce an annual statement on the Council's governance arrangements.

Background

1. The Council has a legal duty, imposed by the Accounts and Audits Regulations 2015, to produce an Annual Governance Statement ('AGS').
2. A framework for the AGS has been developed by the Chartered Institute for Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
3. The Delivering Good Governance in Local Government: Framework, published by CIPFA in association with Solace in 2007, set the standard for local authority governance in the UK and the Council has been following that standard in the production of its AGS.
4. CIPFA and Solace reviewed the Framework in 2015 to ensure it remains 'fit for purpose' and published a revised edition in spring 2016. As a consequence, the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) now applies to annual governance statements.
5. Governance arrangements in the public services are keenly observed and sometimes criticised. However, as the Covid-19 pandemic has recently emphasised, Local Government are vitally important to tax payers and service users. They need to ensure that they meet the highest standards and those governance arrangements are not only sound but also transparent.
6. The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures.
7. The concept underpinning the Framework is that it is helping local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:
 - (a) resources are directed in accordance with agreed policy and according to priorities;
 - (b) there is sound and inclusive decision making; and
 - (c) there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
8. As part of the approval of the Council's accounts the AGS must be formally signed off by the Leader and Managing Director before the Final Accounts are signed.

Covid19

9. The pandemic and the consequent restrictions by Government required a number of changes be implemented to enable the Council to continue to conduct its business more flexibly. These arrangements were designed and implemented in ways which maintained the highest possible standards of governance. Most notably, these changes include amendments to the way Council held its meetings, which, in the year of review, were all conducted remotely and Managing Director given emergency powers to enable a seamless decision-making.

Draft Status

10. Whilst the facts contained within the AGS have been checked and in the main is factually correct, we anticipate that there could possibly be just a small number of amendments raised.

Wards Affected

None

Policy Implications

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

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

Additional Information

Corporate Plan (<https://www.hastings.gov.uk/my-council/corp-plan/>)
Audit Committee Report to Council 2020/21

Officer to Contact

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directorHastings Borough Council

Draft Annual Governance Statement 2020/2021

Scope of responsibility

1. Hastings Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Hastings Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
2. In discharging this overall responsibility, Hastings Borough Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions which includes arrangements for the management of risk. Hastings Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE framework "Delivering good governance in local government" (2016 Edition).
3. A copy of the code is on our website at www.hastings.gov.uk.
4. This statement explains how Hastings Borough Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control.

5. The purpose of the governance framework

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

the impact should they be realised, and to manage them efficiently, effectively and economically.

8. The governance framework has been in place for a number of years at Hastings Borough Council and, in particular, for the year ended 31 March 2021, up to the date of approval of the Statement of Accounts.
9. The key elements of the systems and processes that comprise the authority's governance arrangements include arrangements for the following:
 10. Hastings Borough Council continues to have an established Corporate Plan setting out a strategic overview and the priorities that guide our investment and activities. The Corporate Plan sets out the Council's work plan for the current financial year with targets and performance indicators which are monitored and reported on publicly every quarter.
 11. Hastings Borough Council facilitates policy and decision-making via a Cabinet Structure with Cabinet Councillor portfolios. There is an Overview and Scrutiny Committee which covers all portfolios.
 12. An Audit Committee provides independent assurance to the Council on risk management and control, and the effectiveness of the arrangements the Council has for these matters. It undertakes the core functions of an Audit Committee as identified in 'CIPFA's Audit Committees: Practical Guidance for Local Authorities'. The Constitution is reviewed at least annually by the Monitoring Officer and is codified into one document that is available on the external web pages.
 13. Hastings Borough Council ensures compliance with established policies, procedures, laws and regulations – including risk management. There is a corporate induction programme and service induction routines are in place for new staff. This now includes an e-learning module. Information regarding policies and procedures are held on the intranet which continues to be enhanced and developed.
- 14. How Hastings BC Governs its organisation**
15. Hastings Borough Council sits within the East Sussex County Council administrative area. The Council has 32 elected Councillors and is split into 16 Wards with each Ward electing two Councillors. They are not paid a salary for their work, but they do receive allowances. By law, all councillors of the Council are required to complete a declaration of interest form, the details of which are published annually.
16. The council operates a Cabinet system of governance.

Full Council

17. All 32 Councillors meet together as Full Council and are responsible for the adoption of the corporate plan, budget and deciding the council's overall policies. Full Council meetings are chaired by the Mayor, who is appointed every 2 years at Annual Council. At the Annual Council meeting, Cabinet members are appointed to their portfolios, the composition of committees for the coming year is agreed and the programme for the year is adopted.
18. Full Council meets 4 times a year. All Council meetings are usually held in the Council Chamber, Muriel Matters House and are generally open for the public to attend.

Cabinet

19. Over the last year, all Council meetings have taken place online to minimise the risk to councillors, staff and the public from Covid19. From the 7th of May 2021 the Council must again make its decisions in face to face publicly accessible meetings. During 2020/2021 the Cabinet was made up of 8 members all from the Labour group. Each Cabinet member from the majority group had a portfolio of responsibilities related to council services. Since the local elections in May 2021 there are 7 Lead Councillors who are the leads for areas of strategy and work undertaken by council officers. Cabinet is the main decision-making committee of the council. It also makes recommendations to Full Council on the adoption of the budget and other key documents and policies, including the Corporate Plan and Treasury Management Strategy.
20. Cabinet meets every month and is chaired by the Leader. The forward plan lists the decisions Cabinet will be taking over the next four months.

Charity Committee

21. Hastings Borough Council is the sole trustee of the Foreshore Trust. The Trust owns a stretch of land on the seafront at Hastings and St Leonards. In order to minimise and manage any potential conflicts of interest between the council and the charity, decision-making powers for the Foreshore Trust have been delegated to the Charity Committee, which is a Cabinet committee.
22. The Charity Committee is made up of three members of the council's Cabinet. The Charity Commission appointed a Protector who acts as an independent watchdog over the Trust. Members of the Charity Committee take advice on the management of the Foreshore Trust's land from the Coastal Users Group.

23. An independent Grant Advisory Panel was also set up to advise the Charity Committee on the allocation of grants from the Foreshore Trust's surplus.
24. The Charity Committee meets every three months.

Appointments committee

25. Council Appointments Committee is responsible for appointing elected members to represent the council on a variety of statutory bodies, charities and voluntary organisations operating in the town. Council Appointments Committee meets once a year. Extra meetings may be held at other times, if required.

Overview and Scrutiny Committee

26. Overview and Scrutiny Committee monitors' performance against the targets set out in the council's corporate plan. The committee also identifies potential areas for improvement and explores options to develop council services. Members also undertake reviews which look at issues of local importance. Overview and Scrutiny
27. Committee meet every three months.

Audit Committee

28. The Audit Committee monitors the council's arrangements for financial governance and stewardship, risk management and audit. The committee also receives advice and reports from the council's external auditors. The Audit Committee produces an annual report to Full Council on the effectiveness of council's internal audit system.
29. The committee has key responsibility for the oversight of the Treasury Management Strategy and approve the council's annual financial statement of accounts.
30. The Audit Committee meet four times a year.

Environment and Safety Committee

31. The Environment and Safety Committee undertakes the council's functions in respect of Hackney carriage and private hire licenses.
32. Environment and Safety Committee meetings are not usually open for the public to attend because the committee often needs to consider detailed personal information about an applicant when making their decision. However the minutes of the meeting can be viewed online.

Licensing Committee

33. The Licensing Committee undertakes the council's functions under the Licensing Act 2003 and gambling legislation.

34. The Licensing Committee usually delegates its responsibilities to a smaller sub-committee of members, who consider and make decisions on individual applications. The committee meetings are usually held in the Council Chamber at Muriel Matters House and are usually open for the public to attend. Paper copies of the agenda for Licensing Committee meetings are available on request from Democratic Services

Planning Committee

35. Planning Committee is responsible for deciding applications for planning permission, listed building consent and conservation area consent. The council has produced a Planning Protocol, which sets out how it will deal with planning matters and this is included in part 5 of the Council's Constitution.
36. Planning Committee meets every month. The meetings are usually held in the Council Chamber, Muriel Matters House and are open for the public to attend.

Standards Committee

37. Standards Committee promotes and maintains high standards of behaviour by ensuring all elected members comply with the council's code of conduct. A copy of the code of conduct from members can be found in part 5 of the Council's Constitution and can investigate a case on advice from the Monitoring Officer. Full Standards Committee meetings are normally open for the public to attend, depending on the sensitivity of the complaint.

Employment Committee

38. The Employment Committee is responsible for the appointment and dismissal of Chief Officers of the council. In some cases, the committee may also assess and investigate a complaint against a chief officer of the council, acting on advice from the Monitoring Officer.

Museums Committee

39. The Museums Committee is responsible for overseeing the council's museum service and the maintenance of its collection. The committee reviews new donations as they are received and considers proposals for how the service could be developed in the future.
40. The committee has fourteen members, which includes eight councillors and six members of the museum's association.

Hastings and St Leonards Local Strategic Partnership

41. The Hastings and St Leonards Local Strategic Partnership brings together representatives from the local statutory, voluntary,

community and private sectors to address key local issues, discuss strategies and initiatives and shared learning. They aim to encourage joint working and prevent 'silo working' (i.e. different agencies that share aims working in isolation). Involvement of the community is a key aspect of local strategic partnerships.

42. The Hastings and St Leonards Local Strategic Partnership meets four times a year. The meetings are usually held in the Council Chamber, Muriel Matters House, Hastings and are generally open for the public to attend.

East Sussex Joint Waste Committee

43. The Joint Waste Committee is made up of elected Member representatives from the Cabinets of each of the following authorities: Eastbourne Borough Council; East Sussex County Council; Hastings Borough Council; Rother District Council and Wealden District Council. These authorities established the Joint Waste Committee with the intention of facilitating the authorities in working together to improve the quality and effectiveness of the discharge of their waste collection functions under the relevant provisions of the Environmental Protection Act 1990.
44. The Joint Waste Committee also facilitates the authorities to work in partnership with East Sussex County Council as the Waste Disposal Authority to maximise integration opportunities.

Hastings Housing Company Ltd

45. During 2017/18 the Council established a wholly owned Housing Company limited by share - Hastings Housing Company Ltd. The company has been designed to initially acquire, develop and deliver housing for both market rent, and to provide sub-market housing, with the potential to undertake development in the future.
46. A key objective of the Housing Company is: To acquire existing or newly built property with a view to letting these to local people at market or submarket rents.
47. Group Accounts were not required then however they have been prepared for 2019/20 onward.

Hastings and St Leonards Foreshore Charitable Trust

48. Hastings and St Leonards Foreshore Charitable Trust is a charity registered at the Charity Commission under number 1105649 and is known locally as the Foreshore Trust. The foreshore is the area of the beach between high and low water which generally belongs to the Crown. In Hastings's case this area of land has been purchased from the Crown. The purpose of the trust is to hold the land for the 'common use, benefit and enjoyment of Her Majesty's subjects and

the public generally forever'. Hastings Borough Council is the trustee of the charity for all purposes and bound by charity law in the same way as any other charity trustee. When making decisions relating to or affecting the Charity, it must act in its best interests. The council administer the affairs of the Foreshore Trust but the two separate entities are ring-fenced and costs incurred by the Council in relation to the foreshore are recharged to the trust. The Foreshore Trust produces its own Statement of Accounts and is not within the Group boundary.

Management Structure of the Council

49. The council is led by a Managing Director and assisted by 4 Assistant Directors covering the various service areas.

Strategy, Risk and Resource Allocation.

Corporate Plan – One council.

50. The corporate plan is an important document that sets out the council's vision and priorities. The council publishes a corporate plan each year. It tells residents, businesses and our staff about the progress we have made to pursue key opportunities and some of the projects and activities we will be working on to continue to improve the town. It shows how we will ensure our services are available to and accessible by all.
51. Since 2010/11 funding from the government has continually decreased making our job harder. Despite this challenge, the Council remains as determined as ever to continue delivering the best services possible and the Corporate Plan reflects that determination. The following section outlines the main areas within the plan:
52. Our Vision, Mission and Values can be found in the Corporate Plan at:

https://www.hastings.gov.uk/content/my_council/corporate_policies_plans/pdfs/corporate-plan

Our position

53. Our vision for Hastings remains bold and ambitious. Our mission has not changed, nor have our values. We are as committed as ever to doing what we can to make Hastings the best place it can be, for the people who live, work and visit but we must also be honest about how much we can do. In an era of reduced public sector funding, we have to be realistic about how we can deliver our vision. One of our main sources of funding - the local government settlement (given to us by Government to help run services in our town) - continues to be reduced whilst our operational costs rise.

54. The corporate plan sets out what we can do to realise as much of our vision as we can with the resources that we have. As much as possible we have prioritised the work that we think will deliver the best outcomes for residents, businesses and visitors.
55. Having less funding each year to deliver services which cost more to provide is challenging. We need to address a budget deficit.

To achieve this we must:

Prioritise the resources we do have on what we legally must do.

Invest our resources where they will deliver the best outcomes for our residents.

Continue to implement new ways of working to meet our vision and priorities.

Continue to reduce our operational costs, further improving efficiency by getting more services online.

Continue to realise opportunities to generate income in creative, fair and sustainable ways.

Continue to take opportunities to tackle climate change

Our corporate plan guides our work to help meet these challenges and realise our opportunities.

Our priorities

56. Our priorities can be found at:

<https://www.hastings.gov.uk/my-council/corp-plan/achieve/>

57. The Council's corporate plan continues to remain ambitious when set against the background of reductions in annual grant settlements. The Council has a very good track record of achieving its objectives and improving performance and will look to enhance income streams to continue to provide high quality services. It continues to be well placed to deliver the programme in 2021/22. Significantly reduced resources will however inevitably impact on service delivery in the years ahead.
58. The Council has an Internal Audit function and informal protocols for working with External Audit. External Audit also reviews compliance with policies, procedures, laws and regulations within their remit.
59. Hastings Borough Council has continued to enhance and strengthen its internal control environment through the introduction and updating of new policies and procedures.

60. The Risk Champion is the Managing Director.
61. The Corporate Risk Management Group also incorporates the Health & Safety framework.
62. The Council has a Whistle Blowing Policy based on the British Standards model that enables staff, contractors, councillors or the public to confidentially raise with the council any suspicions they may have. There is also a dedicated fraud hotline. The Council also has a customer compliments, comments and complaints system that is monitored by management.
63. Hastings Borough Council's Internal Audit function continues to support managers at all levels to give a better understanding of how to enhance risk management in their area of responsibility and to have some understanding of the process throughout the council. The high-level risk management methodology was designed to provide more focus to councillor and senior officer management of risk.
64. The Strategic Risk Register is formally reviewed at the Corporate Risk Management meetings and the Operational Risk Registers are reviewed at Service Management Team meetings.
65. The Audit Committee perform an annual rigorous review of the Strategic and Operational Risk Registers and also when new emerging risks arise.
66. Hastings Borough Council ensures the economical, effective and efficient use of resources, and secures continuous improvement in the way in which its functions are exercised.
67. The External Auditor has indicated at the February 2021 Audit Committee meeting that it anticipates giving an unqualified audit opinion (when the Accounts for 2019/20 are signed off) on value for money providing assurance to the public over its financial resilience and that proper arrangements have been made to secure economy, efficiency and effectiveness in the use of resources.
68. Financial management in Hastings Borough Council and the reporting of financial standing is undertaken through a general ledger and management information system, Unit 4, which integrates the general ledger function with those of budgetary control, payments, income and Human Resources (HR) System.
69. Finance Operating Procedures (FOPs) are held on the council's intranet and support the council's constitution. The FOPs contain information on financial and business procedures and processes that must be followed in all areas of the council.
70. A scheme of delegation which sets out the powers of the Managing Director and Assistant Directors, the Financial rules and Contract

Standing Orders form part of the Constitution. A rigorous system of monthly risk based financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated if necessary.

71. Performance management in Hastings Borough Council and the reporting of performance management continues to show good results. The Council has focussed its quarterly reporting of data on Key Indicators that can be used to assess the 'health' of the organisation. This, together with the reporting on each of the service's commitments set out in the Corporate Plan, enables a rounded view of how the Council is performing against key issues of concern to local people. Performance indicators are recorded and monitored using an in-house developed Dashboard system.
72. The Managing Director has assumed the role of Senior Information Risk Owner (SIRO) who has overall responsibility for the Council's information risk policy.
73. Hastings Borough Council is the sole Trustee for the Foreshore Trust. Its business is conducted through the Charity Committee which meets every quarter. The charity has a Protector to protect the charity from conflicts of interest, financial and otherwise, arising from the Council's position as charitable trustee and local authority with its own priorities. At Annual Council, the Leader allocates responsibilities of the Cabinet to include Chair of the Charity Committee.
74. Service Reviews – The council's transformation programme has continued to undertake intensive business process mapping of a range of services to (where possible) move services online and or to realise efficiencies and improve processes for our customers and staff. Progress against the transformation programme is detailed in quarterly performance reports. These coincide with existing plans for service reviews being planned through the Priorities, Income & Efficiency Reviews (PIER) process and the Strategic Oversight and Project Board (SOAPB).
75. Councillor Development – Before councillors can undertake their roles all councillors have to undertake the appropriate training. This includes full induction for all new councillors, a range of compulsory training so that councillors can fulfil their roles on our committees, and leadership training where appropriate provided in conjunction with the Local Government Association (LGA). Councillor training and development is monitored and evaluated quarterly.
76. Consultation – The council undertakes a range of consultation throughout the year subject to activities identified in the corporate plan. The council also consults annually on its corporate plan and budget with a variety of stakeholders.

77. The Hastings and St. Leonards Local Strategic Partnership (LSP) Board is a body that brings together key representatives from the private/business, community/voluntary and public sector and has a rotating chairperson. The LSP Board meet quarterly to address key issues affecting the town as a whole improve the quality of life for those who live and work in the town.
78. The key role of the Local Strategic Partnership (LSP) is to:
- (i) Identify and report strategic issues, which key partners should be aware of.
 - (ii) Provide strategic leadership on any Borough wide issue, identified by partners and agreed by the LSP, where no other appropriate existing organisation or partnership can be identified.
 - (iii) Act to bring together intelligence, expertise and community and business support to identify priorities and develop solutions to maximise the town's economic opportunities and address barriers to regeneration.
79. Both councillors and senior management are kept apprised of progress and new developments and are able to determine direction in light of these.

Changes to the Council's Structure and Governance arrangements

98. There are no new structure and governance arrangements to report other than the Chief Legal Officer (Monitoring Officer) retired in May 2021 but there was a handover period several months earlier for their replacement.
99. The authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Chief Finance Officer in Local Government (2010)'.
100. The Assistant Director Financial Services and Revenues, is the Council's Chief Finance Officer and Section 151 Officer who leads and directs the Finance function that continues to be sufficiently resourced and fit for purpose and is also professionally qualified and suitably experienced.
101. Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on 'The Role of the Head of Internal Audit in Local Government (2019)'
102. The role of the Chief Auditor at Hastings Borough Council complies the CIPFA statement.
103. Hastings Housing Company Limited is a company for buying and selling own real estate and other letting and operating of own or leased

real estate. It is a limited company that was incorporated on 1 September 2017 and its registered office address is Muriel Matters House, Breeds Place, HASTINGS TN34 3UY. It has 3 Directors who each have senior roles within the council. It was set-up by Hastings Borough Council primarily to meet a need for affordable rental properties in the Borough and to generate an income for the council.

104. Group Accounts - The council is required to produce Group Accounts alongside its own financial statements where it has material interests in subsidiaries, associates and/or joint ventures. The Group Accounts included as part of the Statement of Accounts fully incorporate the results of the following; these entities follow the authority's financial compliance standards as per the CIPFA code of practice.

Hastings and St Leonards Foreshore Trust

Hastings Housing Company Limited

The following organisations are those where Senior officers or members of the Council hold positions of significant control:

Hastings & Rother Voluntary Association for the Blind

Education Future Trust

St Mary in the Castle

Love Hastings Ltd

The Fellowship of St Nicholas

Idolrich theatre Rotto

Sussex Coast College Hastings

105. Full details of the relationship can be found in the Group Accounts section of the statement.
106. Other entities which fall within the group boundary, but which are not consolidated into the Group Accounts as they are not considered to be material, are detailed within the Related Parties note within the Statement of Accounts, there were no related parties to report.
107. Hastings Housing Company has a standalone accounting system, Sage, and all income and expenditure is processed through this and not through the council's main accounting system.

Review of effectiveness

108. Hastings Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control and effectiveness of Internal Audit. The review of effectiveness is informed by the work of the Managing Director and Assistant Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Committee's annual report to Council and also by comments made by the external auditors and other review agencies and inspectorates.
109. The Council's constitution sets out the responsibilities of both Councillors and their senior managers. In particular, the Council has
- Head of Paid Service - Managing Director
- Monitoring Officer - Chief Legal Officer
- Section 151 officer - Assistant Director Financial Services and Revenues (Chief Finance Officer)
110. The Council continues to assess how its overall corporate governance responsibilities are discharged. In particular the Council has adopted the CIPFA/SOLACE guidance and has developed a local code of corporate governance. This code is being reviewed.
111. The arrangements for the provision of internal audit are contained within the Council's Financial Rules, which are included within the Constitution. The Chief Finance Officer is responsible for ensuring that there is an adequate and effective system of internal audit of the Council's accounting and other systems of internal control as required by the Accounts and Audit Regulations 2015. The Internal Audit service is managed, independently, by an Assistant Director and operates in accordance with the Public Sector Internal Audit Standards. The Hastings audit plan is prioritised by a combination of the key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to council establishments and fraud investigations. The resulting work plan is discussed and agreed with the Assistant Directors and the Audit Committee and shared with the Council's external auditor. Regular meetings between the internal and external auditor ensure that duplication of effort is avoided. All Hastings Internal Audit reports include an assessment of the adequacy of internal control and prioritised action plans to address any areas needing improvement.

The Council's review of the effectiveness of the system of internal control is informed by:

Services assurance based on management and performance

Scrutiny reports covering a planned scrutiny review programme but also any item can be subject to a scrutiny review

Work undertaken by Hastings BC Internal Audit during the year and summarised in the Annual Internal Audit Report

Work undertaken by the external auditor reported in their Annual Audit Letter and particularly their audit opinion on the Financial Statements and on Value for Money

Other work undertaken by independent inspection bodies.

Corporate Management Group and Audit Committee review of the Strategic and Operational Risk Registers.

112. From the work undertaken by Hastings Audit in 2020/21 the Chief Auditor has given the following opinion on reasonable assurance "I am unable to provide a supported reasonable assurance opinion on the key areas of risk management, corporate governance and financial control". This was due to the impact of Covid19 and staff absence. However, the fact that 100% of staff were able to work from home in a secure way within less than a week of the first lock down being announced (apart from a handful whose home internet had technical issues), enquiries made with service managers, for example, that we are not facing any significant litigation and that controls against cyber-attacks are being continually improved, knowledge of the controls over Covid19 grant payments, budgetary position and review of the risk registers, there is no reason to believe that internal controls are unsatisfactory or worse.
113. This opinion relates only to Hastings Borough Council and not to any other entities within the group.
114. In this context "reasonable assurance" means that the systems can be relied upon to prevent error, fraud or misappropriation occurring without detection, and that nothing was found that would materially affect the Council's standing or Annual Accounts.
115. This situation has been highlighted in both the Strategic and Operational Risk Registers and remedial action to address completion of the audit plan is being addressed.

The impact of Coronavirus on governance from March 2020 and throughout 2021

116. There has been a fundamental impact upon the entire range of the Council's functions and services throughout 2020/21 as a result of the

Covid19 pandemic. This has affected all the Council's business operations, the Borough's residents, and all councillors and staff. Consequently, there have been wide ranging governance implications for the Council.

Decision-making

117. Swift decision making was required from the beginning of the Covid19 emergency in March 2020 in order that the Council could adapt to the changing environment and issues arising from the pandemic and to protect the functioning of the Council's business. Following the national Public Health emergency with regard to Covid19 declared on 19 March 2020, the Council's emergency response commenced immediately and the Business Continuity Plan was implemented. A Covid19 Taskforce was set up that led, controlled and coordinated the emergency response for the Council during both the initial emergency response phase and throughout the year whilst the pandemic has remained ongoing. The Council arranged formal Council meetings to be held on a virtual basis via the MS Teams platform which continued throughout 2020/21. New service provision was set up to meet government requirements in respect of a range of new business grant schemes. These commenced in early April 2020 and payment of grants by the Council to local businesses totalled in excess of £32m in 2020/21. Further government grant schemes were introduced in March 2021 and payments are being made to businesses for these grants in quarter 1 2021/22.

Decisions were made for additional services to be provided by the Council as a result of Covid19 and these have included:

- business grants to borough businesses
- benefits paid to residents
- a range of additional support to vulnerable residents across the Borough, including delivery of food parcels provision and support to residents who were shielding
- housing assistance for homeless persons
- Test and Trace payments.

118. Financial implications of Covid19 were monitored throughout the year and reported to councillors and the Council's procurement governance arrangements remained robust throughout the Covid19 emergency period. In addition, financial information has been provided to the Ministry of Housing Communities and Local Government (MHCLG) throughout the year.

119. Members have been kept informed on a regular basis by the Council Management Board and senior officers of the impact of Covid19

throughout the pandemic. Formal Council meetings have received reports including a Cabinet report on 6 June 2020 when a report was presented by the Assistant Director Financial Services and Revenues (Chief Finance Officer) regarding the Council's emergency response and the associated financial implications for the Council. Further updates have been given throughout the year and this process is ongoing.

120. The recovery phase commenced in May 2020 and is ongoing at the present time with resources being allocated and deployed in service areas as appropriate in accordance with the Council's plans to support residents and local businesses together with all councillors and staff in the appropriate manner. New comprehensive risk assessments have been required and have been undertaken by all of Service Managers supported by the Health & Safety Adviser in order to assess relevant risks before staff can return to work at council premises once government restrictions allow and arrangements have been made to ensure the those premises are Covid19 secure.
121. Throughout the Covid19 emergency period the Council has maintained a strong quality of service provision for the benefit of residents across the borough and has demonstrated sound management control and robust and good governance at all times.
122. CIPFA guidance regarding the implications and impact of the coronavirus for Local Authorities was published in April 2020 and further in February 2021. This has been taken into account in the above.
123. Even just prior to the lock down announcement, the Council implemented its Business Recovery Plans and virtually all staff were able to work remotely and securely on council systems.
124. A Task Force was immediately established and originally met daily for swift decision making that fundamentally affected the whole of the Council's business operations and all residents of the Borough, all councillors and staff.
125. New service provision was established quickly to meet government requirements, for example, payment of National Non-Domestic Rate grants and benefits, a range of additional support to vulnerable residents across the Borough and housing assistance for homeless persons.
126. The most significant impact has been on Council finances and an update report was presented to Cabinet on 6 June 2020.
127. There have been other changes too that have impacted on governance, for example, holding public meetings which were streamed. Since 7 May 2021, the public are entitled to attend in person following stringent Covid19 risk assessment. .

Managing the Risk of Fraud and Corruption

128. The CIPFA Code of Practice on Managing the Risk of Fraud and guidance suggests it is good practice to make a statement on the adequacy of an authority's counter fraud arrangements in the annual governance statement. This code contains five principles

- acknowledge responsibility
- identify risks
- develop a strategy
- provide resources
- take action

129. The Chief Internal Auditor is satisfied that the council meets these principles by having an experienced former Investigations Manager and Accredited Counter Fraud Specialist in the Internal Audit. We review risks across the authority and direct their work as appropriate. It is therefore considered that the organisation has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud and uphold its zero tolerance.

Town Deal Announcement

130. Whilst outside of this reporting period, it was reported on 6 June 2021 that the council had been allocated £24.3m as a result of the submission of our Town Investment Plan in January. In the future, it is likely to affect to some extent how the council directs its resources.

Significant governance issues

131. The Council follows the CIPFA/SOLACE guidance entitled 'Delivering Good Governance in Local Government (Guidance Note for English Authorities)'. Provided below is an update to the ongoing risks on which progress was reported last year and there are 2 new issues to report regarding firstly the pandemic and secondly the Climate Change Emergency.

132. In the last Annual Governance Statement, it was reported that there was still a significant risk relating to the reduction in Government grant funding. A balanced budget for 2020/21 was achieved whilst retaining an appropriate level of reserves but indications are that funding will continue to be under extreme pressure as the Government seeks to reduce public spending into the future.

133. This year has again, been a period of change and development. There have been continuing financial pressures. Despite this challenging environment there have been significant achievements

and continuing improvement in the Council's overall governance arrangements.

- 134. Also, for the last 4 years, it was reported that there was a potential risk to do with the anticipated implications arising from 'Brexit'. The transition period ended on 31 December 2020 and there were no direct impacts to report. However, this still potentially has implications in the years ahead for Council's central government funding, procurement arrangements and Treasury management strategy.
- 135. Pandemic – The Covid19 pandemic continues to impact the Council in 2021. This includes the long term diversion of staff resources into other activities required by Government.
- 136. Climate Change Emergency – The actions the Council will need to take to meet its Climate Change Emergency commitments may limit some service provision or increased costs, particularly around electric vehicles and utility costs.
- 137. We continue to monitor the situation and if relevant, councillors will be informed of the implications as and when sufficient detail becomes available.
- 138. Most of these risks to services in the future stem from the large scale reductions in funding.
- 139. Where we have identified areas for further improvement, we will take the necessary action to implement changes that will further develop our governance framework.

Signed:..... Signed:.....

Leader

Managing Director